SAN LEON ENERGY

PROGRESS

We strive to liberate gas from Polish shales so that everyone can share in the upcoming wealth of energy.

Through this we strive to benefit our shareholders, and the communities in which we operate.

We strive to secure affordable, home-grown energy for Poland, generating jobs and opportunity both directly and indirectly, for generations to come.

We call this Progress – and we strive for it.

San Leon Energy plc

Annual Report and Accounts 2013

Lewino is a small village in Northern Poland. There, we ran the most encouraging vertical shale well test in Poland to date.

We sponsor its school, so that children like Łukasz Jabłoński and Wójt Gminy Linia can also benefit from progress.

*Kazimierz Koszałka and Justyna Kos
are farmers in Lewino.*

*Like the whole village, they expect a lot from
the shale gas well we are developing there.*

The Lewino countryside, in its raw beauty. All of our operations have social and environmental planning at their heart.


Lewino
Lewino

Roman Langa, Mayor of Lewino, sees farming and fraccing as complementary activities for his commune – both harvesting natural assets to bring wealth and prosperity.

Highlights

San Leon is a young oil and gas company. We develop conventional and unconventional assets in Europe and North Africa, from exploration to monetisation.

2013 was an important year for San Leon: the year when we reached critical mass, becoming one of the largest oil and gas players in Europe by acreage; the year when we started to harvest our most mature assets, moving from exploration to production.

Business review

We are committed to developing our asset base. In this section we set out our strategy, the progress we have made and our current operational focus.

Governance

We work to strict standards of governance and responsibility. San Leon was strengthened with the appointment of Joel Price as COO, and of Piotr Rozwadowski as a Non-Executive Director.

Financial statements

Net assets increased by €74.3 million to €284.4 million with over €60 million invested on our exploration assets.

WHERE WE ARE, WHERE WE GO:

2007

First licence
San Leon was established in its current form in 2007 when it secured an interest in the Zag and Tarfaya permits in Morocco.

2008

Listed on London's Alternative Investment Market
Market capitalisation of £100 million.

2009

Gold Point Energy acquisition
The Company expanded its portfolio significantly with our first acquisition, which captured major, high-potential shale gas concessions in Poland's Baltic Basin.

2010

Island Oil & Gas acquisition
This acquisition added conventional offshore assets in the Celtic Sea as well as a number of exciting assets in the Atlantic Margin off the west coast of Ireland. In addition, San Leon increased its Moroccan onshore acreage in Zag and Tarfaya and gained interests in the Foum Draa and Sidi Moussa licences offshore Morocco. Furthermore, we added the highly prospective Durresi licence offshore Albania, to our asset portfolio.

Talisman Energy farm-in
San Leon signed a farm-in agreement with Talisman, whereby Talisman carried out the drilling of three wells in the Baltic Basin, Poland.

Placing of shares
Raised £60 million to fund the exploration programme.

2011

Realm Energy acquisition
This acquisition secured a further 464,000 acres in Poland's Baltic Basin. The transaction added 2 million pending acres in Spain and a pending application for 2.5 million acres in France.

Creation of NovaSeis
San Leon established its subsidiary NovaSeis, to acquire onshore seismic data.

2012

Aurelian oil and gas acquisition
The acquisition of Aurelian was announced in November 2012 and completed in January 2013. With the integration of Aurelian's business and assets, San Leon effectively doubled the size of its operations.

2013

Aurelian oil and gas integration/Polish asset development
Adding Aurelian's cash resources, professional team and Polish asset base to its existing organisation, San Leon became a major player in Poland – the leading independent licence holder in that country, second in acreage only to PGNiG, the national oil and gas company.

Continuing partnerships
Several significant LOIs and MOUs signed during the year.

Polish assets received from Talisman
San Leon received 100% interest back from Talisman on several Baltic Basin shale concessions, together with cash and noncash assets. Following its three-year farm-in agreement signed in 2010, Talisman had drilled three wells, at its cost.

Lewino-1G2 – best test results so far
The Lewino-1G2 frac, near Gdansk in Poland, was regarded as "textbook", producing results described as the best single shale frac test by any company in Europe so far.

Placing of shares
Raised £31 million to fund our asset and operation expansion.

With > 39 million gross acres in the global portfolio (>159,000 km^2) San Leon becomes the leading shale hydrocarbons company in Europe by acreage.	Award of the 36 km^2 Timahdit oil shale block in Morocco.	Lewino-1G2 frac regarded as the most successful vertical shale well test in Europe so far.
€60 million capital expenditure in 2013.	Two-year licence extension on the Durresi Block, our offshore Albanian acreage.	Joel Price appointed as COO, having joined San Leon through the acquisition of Aurelian. Piotr Rozwadowski appointed as non-executive board member – former Vice Minister of State for the Treasury in Poland.

2014

Getting closer to harvesting
From floating on AIM in 2008, San Leon's strong European shale position is complemented by a sizeable conventional and tight gas portfolio. **We are now moving from exploration to production** with significant industry partners.

2020

Leveraging our overall asset base
We firmly believe in the potential of our asset base. Together with our partners we expect to be building on the European shale success story, contributing to lower energy costs and generating value for our shareholders and investors, as well as exploiting the rest of our significant unconventional and conventional portfolio.

SOME OF OUR KEY ASSETS

From new frontiers to near-term production, from conventional to unconventional, onshore and offshore, our assets cover the whole value chain and share two characteristics: scale, and early-mover advantage.

POLAND

42 LICENCES

6.8 million gross acres (c28,000 km²)

The spearhead of shale plays in Europe, hedged by conventional oil and gas assets

1 Baltic Basin

SHALE GAS AND OIL

including: Lewino-1G2 well (Gdansk W concession)
Rogity-1 well (Braniewo S concession)

2 Carpathian

CONVENTIONAL OIL AND GAS

including: Niebieszczany-1 well
Lachowice-7 well

3 Permian Basin

CONVENTIONAL AND SHALE OIL AND GAS

including: Rawicz field
Siekierki field | Siciny-2 well

MOROCCO

6 LICENCES

9 million gross acres (c37,000 km^2)

One of the last oil and gas frontiers of North Africa, extensive, complementary plays, onshore and offshore, with excellent fiscal terms

1 Onshore: Timahdit

SHALE OIL

2 Onshore: Zag

CONVENTIONAL AND SHALE GAS

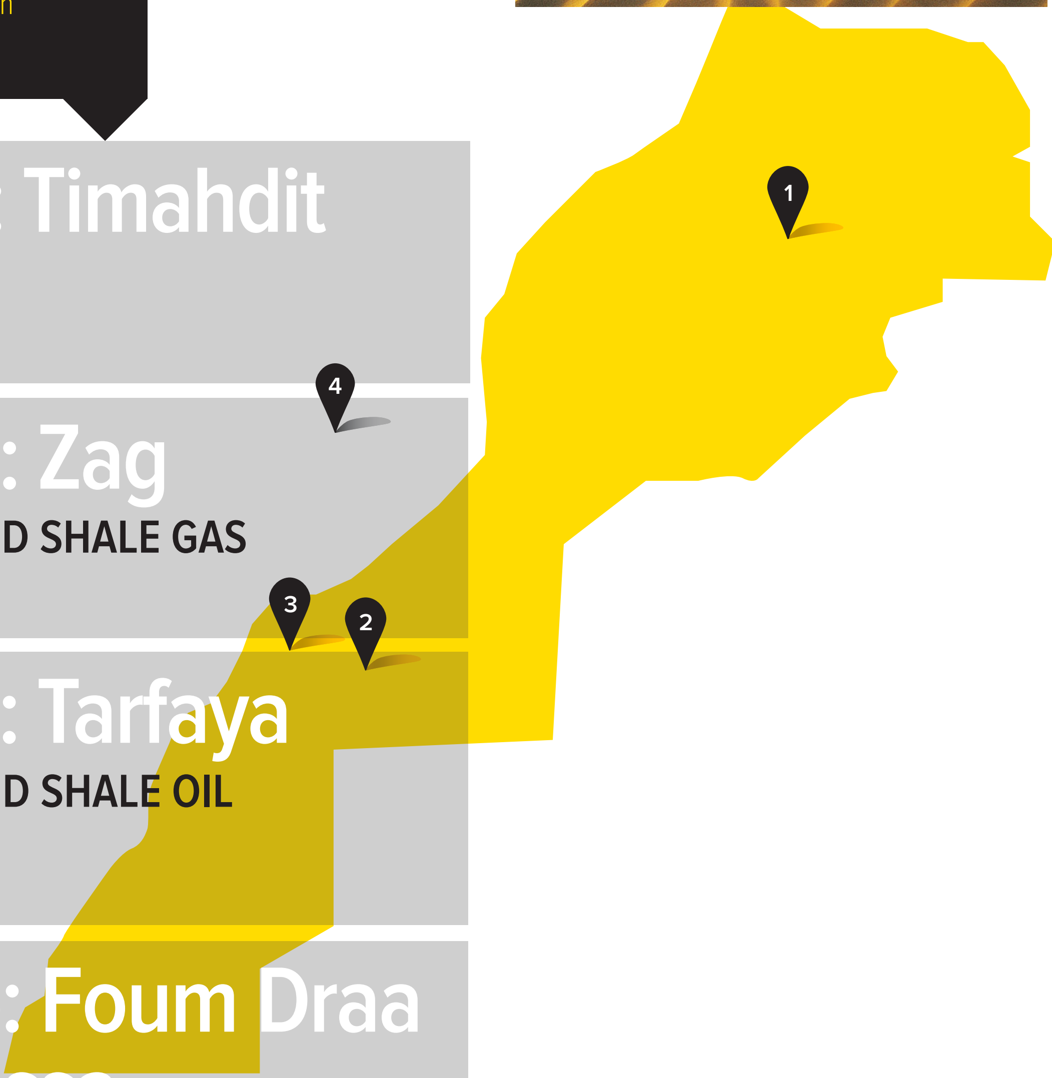
3 Onshore: Tarfaya

CONVENTIONAL AND SHALE OIL

including: Casa Mar prospect

4 Offshore: Foum Draa & Sidi Moussa

CONVENTIONAL OIL AND GAS



Chairman’s review

“In a very challenging year, our many activities achieved some notable successes.”

Oisín Fanning
Executive Chairman

2013 was an important year for San Leon: the year when we reached critical mass, becoming the largest shale hydrocarbons player in Europe by acreage, the year when we started to harvest our most mature assets, moving from exploration towards production.

It was not an easy year, not for anyone in the European oil and gas industry, not for San Leon – but it was an eventful year.

It was an eventful year, with the Lewino-1G2 frac, near Gdansk in Poland, which we described as "textbook", producing results showing its potential as "the best single shale frac test by any company in Europe so far".

It was an asset-building year, including our receiving 100% interest back from Talisman on three Baltic Basin shale concessions, together with cash and non-cash assets. Following its three-year farm-in agreement signed in 2010, Talisman had drilled three wells, at its cost. Its exit was not driven by technical considerations. Our prudent management of similar assets continues as we aim to monetise them.

It was a year of expansion, with among others the award of the 36 km^2 Timahdit oil shale block in Morocco, and a two-year licence extension on the Durresi Block, our offshore Albanian acreage.

It was a year of build-up and consolidation: since our 2008 AIM float, we have completed four major acquisitions in four years. 2013 was the year when we integrated the largest of these acquisitions, Aurelian Oil & Gas Plc, leveraging its assets, its business and its key human resources to build our portfolio.

It was a year of continued deal-making, with farm-outs and sales to major partners: Braniewo in Poland to Wisent; and proposed sales of Cybinka-Torzym in Poland to Aspect Energy; and all our Irish assets, with the exception of the Barryroe oilfield, to Ardilaun Energy Limited.

It was a challenging year, financially, for the whole European Exploration & Production sector. Like many of our European energy peers, our share price performance in 2013 did not reflect our progress, and was disappointing. Investors in smaller exploration companies remain cautious until production potential is confirmed. In this demanding market, we have continued to push towards production.

It was a year of transition, when we reached critical mass in Poland, the spearhead of shale gas in Europe, becoming the leading independent exploration and production company there by acreage – second only to Poland's national oil and gas company.

We are now positioned to start generating cash flow from production in 2014/15, and I look forward to updating shareholders in due course.

IT WAS A YEAR OF PROGRESS

INTEGRATION OF AURELIAN

Operationally, the acquisition of Aurelian in January 2013, our largest to date, brought with it cash and a range of assets, together with an established technical team. Those personnel, split between the Warsaw and London offices, have provided a powerful complement to the existing San Leon staff. Of particular note was the arrival of the Company's first petroleum engineers, vital in accessing production. Where there was overlap, the Company made the difficult but necessary steps to reduce costs.

POLAND

There is currently no shale hydrocarbon production in Europe. However, Poland is the hotbed of appraisal of this promising resource and is significantly more advanced in terms of the number of shale wells drilled and fracced than any other European country. That said, the density of wells per square kilometre remains very small compared with typical activity in the United States, meaning that appraisal has been relatively slow – the full potential of shale in Poland is still not known.

San Leon's operated well activity in 2013 was dominated by the Lewino-1G2 frac work in the Baltic Basin, and resource play stimulation work in the Main Dolomite and tight Rotliegendes fields.

In the Baltic Basin, San Leon has around 1.2 million net shale acres, with the 220,000-acre Gdansk W concession being in the centre of current well activity. BNK Petroleum, 3Legs/ConocoPhillips and PGNiG, Poland's national exploration and production company, all have ongoing well work surrounding this acreage, where the Lewino-1G2 well is located.

In May 2013 the Company regained the three Baltic Basin shale concessions from Talisman, which had been subject to a farm-in agreement signed in 2010. Talisman exited due to a revised strategy to concentrate on its core areas, rather than due to technical considerations. This provided San Leon both with assets of significant value and with significantly increased equity in the basin, regarded as having the most potential for shale development in Poland. Talisman drilled three wells during the farm-in agreement, at its cost. San Leon was therefore able to carry out its frac campaigns in July and November 2013 on Lewino-1G2 at 100% equity. It performed this in partnership with United Oilfield Services ("UOS"), with whom an agreement was signed in May 2013 and which includes a facility for San Leon to pay at least part of fraccing costs in Company shares (at San Leon's option). Following iteration of the frac design, the final frac in November 2013 yielded significant gas flows and data, resulting in plans for drilling a horizontal multi-fracced well from the same location to try to prove commerciality of the play. The Company regards the November 2013 frac as the most successful of any single vertical shale well in Europe so far.

The next well is expected to have a horizontal section of up to 2000 metres and planning is now well advanced. Both BNK and 3Legs/ConocoPhillips are expected to announce the results of their multi-fracced horizontal wells in the coming months. This will provide vital input to our well and frac design, in addition to the future of shale development in Poland. We look forward to being a significant part of that future.

Also in Poland, the existing Rogity-1 well on Braniewo S licence had three hydraulic fracture treatments performed by Wisent Oil & Gas, under a farm-out agreement. The positive results are being evaluated with a view to selecting the next well location to complete the farm-in work programme and to harness the potential of this concession.

MOROCCO

In Morocco, San Leon holds c4.2 million net acres (c17,000 km^2) of licences in one of the last remaining under-explored regions of North Africa. The mix of conventional and unconventional plays, the excellent fiscal terms and the high potential upside all contribute to make Morocco one of the last exploration frontiers. In 2013 we consolidated our geological interpretation of the Tarfaya play, identified the Casa Mar prospect and enlarged our portfolio at a time when major international players showed a definite uptick in their interest in the area.

The award of the 36 km^2 (c7,000 net acres) Timahdit oil shale block onshore Morocco was another significant step in San Leon's efforts to develop resources in that country. The existing tie-in with Enefit for their shale oil process (see Long-Term projects), the early 2014 MOU with Chevron Lummus Global for upgrading the shale oil product and the oil shale sampling and analysis performed over the year, all point to an active future for a play which may prove capable of producing 11,000 barrels per day for 30 years.

The Cairn Energy-operated Foum Draa well (offshore Morocco), which San Leon had previously farmed out with a significant carry to protect its costs, found no commercial hydrocarbons – although evidence of an active hydrocarbon system was found. We continue to evaluate prospect on this concession. We look forward to the second offshore Morocco well, due to be spud in 2014 by Genel, which has a similar farm-out arrangement.

ALBANIA

2013 saw the completion of a significant reinterpretation of the 3D seismic on our offshore Albanian asset. With an existing discovery well helping to de-risk the prospect and a two-year licence extension secured, we have received renewed interest in farming in from a number of parties.

SEISMIC

NovaSeis, our 3D-capable seismic company, performed acquisition work on five of our assets during 2013, providing a significant cost and availability advantage. In 2014 third-party acquisition work is additionally being actively sought both within and outside Europe. Throughout the period our NovaSeis seismic processing function has been very active, on both internal and external work.

FINANCIAL REVIEW

In September 2013 the Company successfully raised £31 million at 4.75 pence per share in an oversubscribed placing, to fund future operations. This was carried out in a particularly difficult funding environment for smaller E&P companies. We appreciate the confidence of our existing and new shareholders during this process.

At the time of the placing, an announcement was made of a proposed transaction to acquire a 75% stake in Alpay Enerji in Turkey. This was intended to provide ongoing cash flow. However, a number of factors including technical due diligence, Turkish currency depreciation, and non-receipt of GDPA approval within the required timeframe, contributed to the Board's decision not to proceed with transaction in March 2014.

The Group recorded a loss from operating activities of €13.7 million for the year ended 31 December 2013 compared to a loss from operating activities of €0.5 million for the year ended 31 December 2012. This increased loss includes the write off of exploration costs of €7.0 million for the year ended 31 December 2013 (2012: Nil).

Chairman's review

Group operating expenses for the year were €10.9 million compared to €6.0 million for 2012. The loss from discontinued operations for the year was €3.4 million (2012: Profit €398,000). Net finance income for the year was €164,000 (2012: Profit €620,000). The resulting loss per share was 0.87 cent in 2013 compared to earnings per share of 0.04 cent in 2012.

Total equity increased by €74.3 million to €284.4 million at 31 December 2013 (2012: €210.2 million). The completion of the Aurelian acquisition in January 2013 accounted for €62.1 million of the increase in total equity.

CORPORATE

Joel Price was appointed as Chief Operating Officer in November, having joined the Company through the merger with Aurelian. Joel's technical and commercial background in geology, operations, petroleum engineering, business development and asset management, will be fully utilised in exploiting our assets – particularly as more focus is brought on appraisal and development.

Piotr Rozwadowski was appointed as a Non-Executive Director. Piotr has over 25 years' experience working in the energy sector in Poland and he was also a former Vice Minister of State for the Treasury in Poland where he was responsible for Energy and Telecoms.

John Buggenhagen left San Leon in his Exploration Director and Board roles in May 2013 after four years of building the Company's portfolio. The Company is indebted to him for his vision and technical expertise.

The Company recorded no Lost Time Incidents (LTIs) in 2013, which is testament to the HSEQ commitment of all staff and contractors. We shall continue to prioritise this in all that we do.

OUTLOOK

Getting closer to harvesting

From floating on AIM in 2008, San Leon has become the leading shale hydrocarbons company in Europe by acreage, complemented by a sizeable conventional and tight gas portfolio. We are now poised to start moving from exploration to production – with significant partnerships in Poland.

San Leon has always prided itself in its ability to source high quality E&P assets at an opportune point in their life cycle. It then applies technical expertise to add value by maturing the assets (typically through a combination of field work, seismic activity, desktop evaluation, and well operations) before monetising. 2013 has seen a high level of activity in terms of technical evaluation and well operations, together with significant strides towards monetisation – we are working increasingly towards the "P" side of E&P.

2013 was a demanding year, but a year of progress on many different fronts. In 2014, we shall continue to pursue multiple routes to deliver value to our shareholders. I would like to thank our shareholders and employees for their support as we strive for progress in all areas of our operations.


3

“2013 WAS A YEAR OF PROGRESS THROUGH PARTNERSHIP.”

Joel Price
Chief Operating Officer

LONG-TERM PROJECTS

Morocco

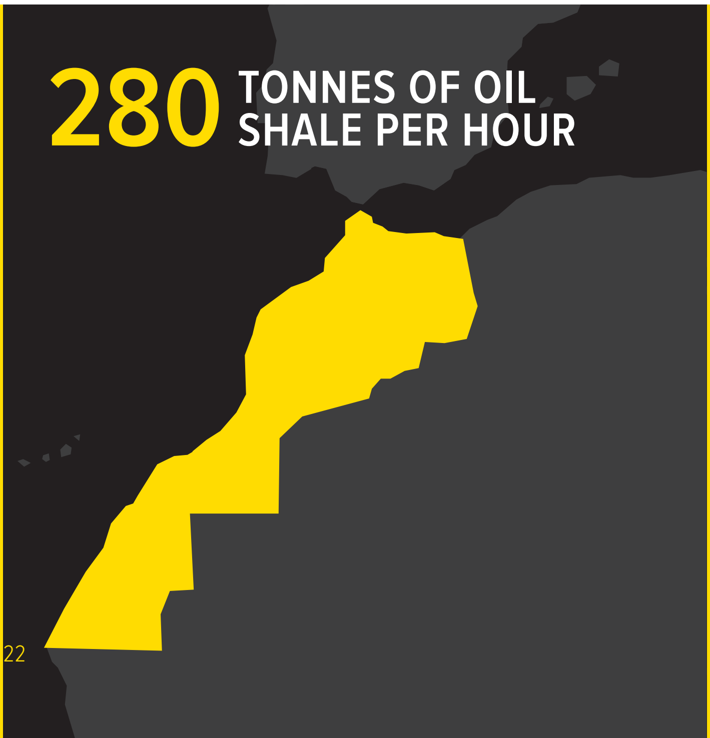
Oil shale technology development

The newly awarded 36 km² Timahdit oil shale block onshore Morocco opened a new avenue of technological development: San Leon signed a MoU with Chevron Lummus Global LLC to exclusively cooperate in oil shale upgrading technology to produce high quality synthetic crude oil from the shale oil. This will be done using Enefit oil shale process, a process currently used in Estonia, that can process 280 tonnes of oil shale per hour.

France

Shale gas licences

In France, San Leon holds over 2.4 million acres (c9,000 km²) of licences under application. These are pending because of the current frac ban in France. San Leon would have first-mover advantage in the event of the removal of the ban.



APPRAISAL & READY TO DEVELOP > NEAR-TERM INCOME

EXPLORATION ASSETS

Albania offshore

San Leon obtained a two-year licence extension, to 31 July 2015, on the Durresi Block, its offshore Albanian acreage. Together with a revised dataroom containing seismic re-interpretation and new prospects, we believe this asset is now of a quality to attract a significant partner to spud a well during the extension period.

Spain

SHALE AND CONVENTIONAL

San Leon obtained two more onshore licences in Spain in 2013, further enhancing our shale acreage position in Europe and complementing that already held in Spain and France. We now hold over 1.5 million net acres (c6000 km^2) in Spain, a country currently under-explored, with fewer than 500 exploration wells drilled.

2 YEAR LICENCE EXTENSION
until 31 July 2015

c1.5 MILLION NET ACRES

APPRAISAL & READY TO DEVELOP > NEAR-TERM INCOME

Morocco

MOROCCO OFFSHORE (Sidi Moussa, Foum Draa)
Summer 2014 will see the spud of the Genel well on Sidi Moussa (San Leon net 8.5% interest) targeting the Noor prospect in excess of 250 million* barrels total recoverable.

Cairn Energy, the Operator of the offshore Morocco Foum Draa block, in which San Leon holds a 14.33% equity interest, announced in December that the well had not found commercial hydrocarbons. We continue to evaluate the data collated from this well. San Leon's cost exposure on that well was limited by its significant carry by Cairn.

MOROCCO ONSHORE (Zag, Tarfaya)
In 2014 the Zag Licence is likely to have further de-risking technical work performed prior to drilling or farm-out. We sense an appetite for Moroccan activity to move onshore with similar plays to those currently being targeted offshore. We have seen a genuine market appetite for financing projects such as oil shale and look forward to progressing feasibility studies further.

"IN 2013 IN MOROCCO, SAN LEON REINFORCED ITS FIRST-MOVER ADVANTAGE. WE FURTHER EXPANDED OUR ACREAGE – ALREADY ONE OF THE LARGEST IN MOROCCO FOR EXPLORATION – IN AREAS THAT SAW MAJOR PLAYERS ACTIVELY JOIN THE FIELD OR INTENSIFY THEIR INTEREST (CHEVRON, BP, TOTAL)."

Walid Sinno
Country Manager, Morocco

Romania

In the Romanian Carpathians we continued our seismic effort, acquiring 3D to de-risk and optimise the location for the Putna conventional oil play prospect, as well as identifying other prospects. Our licence extends over c350,000 gross acres (c1400 km²). The best analogue of this working hydrocarbon system is the Lopushna field, 35 km to the north in Ukraine, with 47 million barrels recoverable.

* Operator P50 total figure

APPRAISAL & READY TO DEVELOP

Poland – Baltic Basin

LEWINO-1G2 FRAC SUCCESS

Lewino-1G2 has approximately 49 metres of Ordovician shale thickness, forming the target reservoir. Utilising the extensive core, electric logs and offset data, in-depth studies have been performed on the well since its drilling. In July 2013 San Leon took that knowledge and applied it to the first frac on the well, in technical partnership with United Oilfield Services (UOS). The results of this first frac were very useful in learning how best to frac in the well – it is normal in shale fraccing for there to be a number of iterations before a good frac design is found, since there are many moving parts in the engineering. A re-frac of the original July zone was performed at the end of 2013 with improvements in fluid chemistry and frac pump rate. Finally, on a new frac in the top of the shale interval we achieved what can be described as a "textbook frac", a suitable description for a job going very smoothly and with pump curves which look almost theoretical. The proof of a frac job is in the results and Lewino-1G2 delivered. After approximately 6 weeks of flow, in January 2014 we reported a gas rate of 45,000 – 60,000 scf/day from the well, plus around 20 bbl of condensate per mmscf. Sigma^3 our frac consultancy in Denver, estimated a rate of 200,000 – 400,000 scf/day after clean up – probably only from the poorer part of the shale interval, as the interval with the higher porosity and gas saturation is the one fracced in July. A horizontal multi-fracced well is planned and is being engineered. Such a well should be physically and logistically easier to clean up than what was, in effect, a single fracin Lewino-1G2.

BRANIEWO S CONCESSION

Wisent Oil & Gas signed a farm-in agreement for the Braniewo S Concession. Under the first stages of its work obligations, Wisent performed fracs and testing in the existing Rogity-1 well. The lowermost frac targeted the tight Cambrian sandstone, while the upper two fracs were in the Ordovician and Silurian shales. Oil was recovered from both the sandstone and the shale, despite the sandstone being a secondary target of the original well design and therefore some distance from the structural crest in that reservoir formation. These positive results are being evaluated with a view to selecting the next well location to complete the farm-in work programme and to harness the potential of this concession.

Poland –
Carboniferous and Permian Basin

CZASŁAW SL-1 WELL STIMULATION

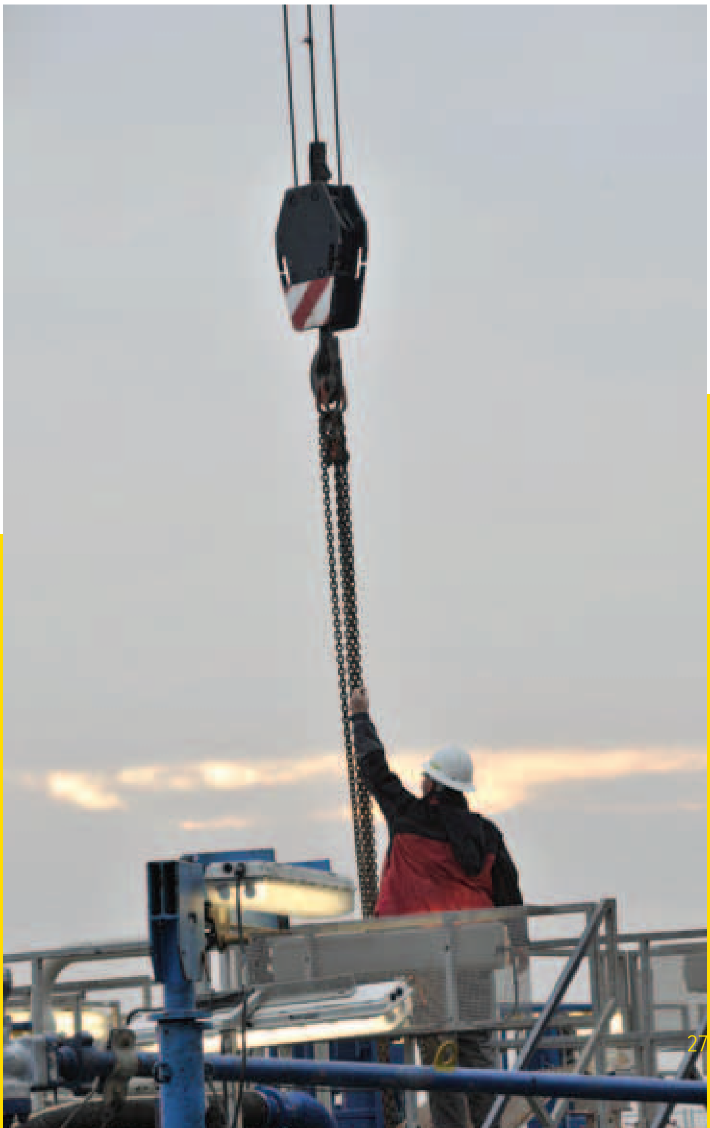
The Czasław SL-1 well was stimulated and flowed back to test. The data obtained, including small amounts of oil and gas, have been used to model the potential for a large-scale stimulation treatment. This is one of a number of San Leon Main Dolomite wells in Poland. Others include Jany-C1, which we took over from a copper mining company, and Lelechow SL-1.

CYBINKA AND TORZYM CONCESSIONS

A Letter of Intent ("LoI") was signed with Aspect Energy on the Cybinka and Torzym Concessions in Western Poland and subsequently extended in 2014 to include a frac treatment on the nearby existing Sosna-1 well. The intention is for Aspect to acquire a 22.5% equity stake (half of the Company's share) in the concessions in exchange for carrying the Company's costs for the drilling of two exploration wells.

Poland –
Bieszczady area

The partners on the existing Niebieszczany-1 well, in which we are a 25% non-operated equity holder, are discussing the next steps to try to harness the 2.4 million barrels of oil and 27 bcf of gas (2C contingent resources) on this licence.



LONG-TERM PROJECTS

EXPLORATION ASSETS

NEAR-TERM INCOME

Ireland

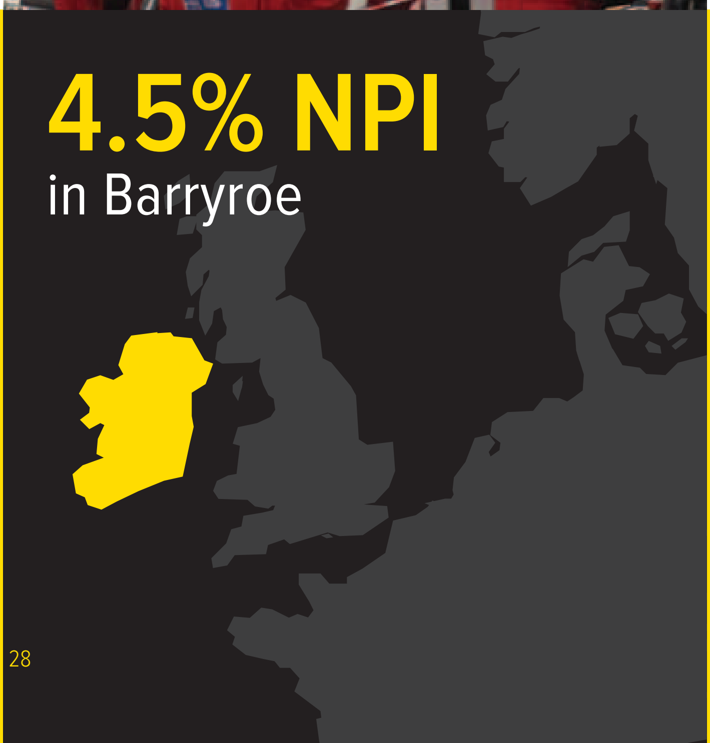
Net Profit Interest

San Leon's 4.5% Net Profit Interest (NPI) on the Barryroe oil field provides access to future revenue streams with no additional capital required. Our Barryroe NPI could also in the right circumstances be sold and provide near-term cash.

Poland

Mature assets in the Carboniferous and Permian Basin

In early 2014, after the reporting period end, a number of our assets in Poland's Carboniferous and Permian Basins, including Rawicz and Siekierki, attracted partnering interest as they have the potential for near-term production.



APPRAISAL & READY TO DEVELOP > NEAR-TERM INCOME

Our NovaSeis trucks running seismic tests in Poland.

Our own seismic company, NovaSeis, gives us the flexibility to acquire high quality seismic data at a significantly reduced cost, and faster.

Our crews have state-of-the-art cableless technology from OYO Geospace. We currently have 4,000 channels, which enables us to shoot in 2D and 3D, as well as five NOMAD 65 vibrator sources (65,000 lbs).

WE WORK BUT NOT ALONE

We continue to develop mutually beneficial partnerships with major exploitation players.

FRACCING: BEFORE AND AFTER

Fraccing – the stimulation of rock to liberate hydrocarbons – requires great technical expertise and operational capability.

Once the process is over, multiple well heads can share a surface area roughly the size of a couple of football pitches.

Board of Directors

		
Oisín Fanning Executive Chairman	**Paul Sullivan** Managing Director	**Dr Jeremy Boak** Non-Executive Director
Background and experience		
Oisín has almost 30 years' experience in structured finance, stockbroking and corporate finance, with 12 years specialising in the oil and gas industry. Formerly CEO of Astley & Pearce Ltd., MMI Stockbrokers, and Smart Telecom Plc, Oisín was closely involved with the restructuring of Dana Petroleum Plc in the early 1990s. He was also a major supporter of Tullow Oil Plc in its early growth phase.	Paul Sullivan gained substantial banking experience over 30 years, before joining San Leon as Commercial Director. He became Managing Director in 2010. Previously, Paul gained extensive Corporate Treasury and Operations experience through senior appointments with leading financial institutions. These included Nordbanken NY, Standard Chartered Bank, Dublin and BNP Paribas in Dublin.	Director of the Centre for Shale Technology and Research (COSTAR) at the Colorado School of Mines, Jeremy chairs the leading international symposium on shale development and the Oil Shale Committee of the Energy Minerals Division (EMD) of the American Association of Petroleum Geologists (AAPG). He was formerly Project Manager at Los Alamos National Laboratory, Branch Chief at the US Department of Energy and exploration and development geologist for ARCO Oil & Gas Company.
Key strengths		
Oisín is both visionary and deeply practical in pursuing business goals on behalf of stakeholders. He recognises the importance of finding and developing talented people to achieve a clear set of objectives.	Paul is well qualified to acquire and integrate San Leon's corporate acquisitions, acquire licences and exploit the potential of both conventional and shale assets.	Jeremy is a proven and acknowledged expert in shale exploration and development. Affiliated with AAPG, EMD, and the Geological Society of America, Jeremy is extensively published and has a Ph.D. and a B.A. in Geology from Harvard University, as well as an M.S. in Geology from the University of Washington.
Commentary		
"San Leon is at a fascinating stage in its development. We've created a significant portfolio of assets across the region and now our talented team is working hard on realising that potential."	"The four acquisitions we have completed and the licences we have been awarded give us a unique opportunity. We're now focused on organic growth and generating significant revenue from our asset portfolio."	"San Leon is Europe's leading shale gas company by acreage. My experience in shale in the United States can now be brought to bear on this significant portfolio."
Committee memberships		
Member of Nominations Committee.	Member of Nominations Committee.	

Daniel Martin
Non-Executive Director

Daniel is a London-based commercial lawyer and graduate of Cambridge University, the University of South Carolina, and the American University Law School in Washington, DC.

He has extensive legal and corporate finance experience – this includes having acted as a legal advisor to Nissan, Chrysler and Texaco. Daniel is a co-founder and Director of Green Corporate Finance and is also a member of South Carolina Bar.

Daniel has considerable skills and expertise in both commercial law and corporate finance.

"I see my role as bringing my legal and financial skills to the Board of this exciting company, giving it the advice needed to enable it to continue to grow and develop."

Member of Remuneration, Audit and Risk and Safety Committees.

Piotr Rozwadowski
Non Executive Director

Piotr is President of the Board and Managing Director of Belos-PLP SA, a leading Polish producer of components for overhead power lines and a subsidiary of NASDAQ-listed Preformed Line Products Company. Piotr is also former Vice Minister of State for the Treasury of Poland where he was responsible for the energy and telecoms sectors.

He has also worked as a consultant for AT Kearney and Roland Berger Strategy Consultants and was previously on the board of Aurelian Oil & Gas plc, recently acquired by San Leon Energy. Piotr graduated with an MSc in Electrical Engineering from the Silesian University of Technology in Poland and also holds an MBA from the University of Central Lancashire.

Piotr has over 25 years' experience working in the energy sector in Poland and has held senior positions with a number of companies in the Polish electrical and power sectors.

"San Leon Energy has built a diverse portfolio and become a key player in the industry. It is an honour for me to join the team and I welcome the responsibility to help the company develop in Poland and across Europe."

Ray King
Company Secretary

Ray is a qualified Chartered Secretary, Banker, Compliance Officer and has considerable experience in IT and Finance.

As a Chartered Secretary with 40 years' experience, much of it with a large City bank, he has acted as Company Secretary and in various senior Executive and Non-Executive Director roles for companies which have been brought to the AIM, Nasdaq and Plus.

Ray is a highly experienced and seasoned Company Secretary with considerable experience of listed entities. He is a Fellow of the Institute of Chartered Secretaries and Administrators, the Chartered Institute of Bankers and the Institute of Financial Accountants. He is also qualified as a Chartered Information Technology Professional and has achieved the Certificate of Regulated Insurance.

"My objective is to ensure that San Leon is fully compliant in all aspects of its decision-making and operations."

Member of Remuneration, Audit, Risk and Safety and Nominations Committees.

Directors' report
for the year ended 31 December 2013

The Directors present their annual report together with the audited financial statements of San Leon Energy Plc ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2013.

Principal activity and future developments
The principal activity of the Company is the exploration and production of oil and gas.

A detailed review of activities for the year and future prospects of the Group is contained in the Chairman's Statement and Operating Review.

Results and dividends
The Group loss for the year after providing for depreciation and taxation amounted to €17,051,578 (2012: profit of €460,667). Net assets of the Group at 31 December 2013 are €284,446,686 (2012: €210,150,217). No dividends are proposed by the Directors.

Principal risks and uncertainties
The Group's principal areas of oil and gas exploration activity are in Poland, Morocco, Ireland, Albania, Romania, Spain and Italy. The Group has a management structure and system of internal controls in place designed to identify, evaluate, manage and mitigate business risk. Details of the principal financial risks are set out in Note 32. Other risks and uncertainties are considered to be the following:

Exploration risk
Exploration and development activities may be delayed or adversely affected by factors outside the Group's control, in particular, climatic conditions, performance of joint venture partners or suppliers, availability of drilling and other equipment, delays or failures in installing and commissioning plant and equipment, unknown geological conditions, remoteness of location, actions of host governments or other regulatory authorities (relating to, inter alia, the grant, maintenance or renewal of any required authorisations, environmental regulations or changes in law).

Commodity price risk
The demand for, and price of oil and gas is dependent on global and local supply and demand, actions of governments or cartels and general global economic and political developments.

Political risk
As a consequence of activities in different parts of the world, the Group may be subject to political, economic and other uncertainties, including but not limited to terrorism, war or unrest, changes in national laws and energy policies and exposure to different legal systems.

Environmental risk
Environmental and safety legislation may change in a manner that may require stricter or additional standards than those now in effect, which could result in heightened responsibilities for the Group and potentially increased operating costs.

Financial Risk Management
The Group's multinational operations expose it to different financial risks that include foreign exchange risk, credit risk, liquidity risk, interest rate risk, and equity price risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the performance of the Group and it is the policy to manage these risks in a non-speculative manner.

Currency risk
Although the reporting currency is Euro, significant transactions denominated in other currencies are entered into by the Group including exploration expenditure, other costs and equity funding, thus creating currency exposures for the Group.

Share price
The share price movement in the year ranged from a low of Stg£0.0375 to a high of Stg£0.0925. The share price at the year end was Stg£0.040.

Directors
The Directors of San Leon Energy Plc, all of whom served for the full year except where indicated are as follows:

Oisin Fanning, Executive Chairman
Paul Sullivan, Managing Director
Raymond King, Non-Executive Director and Company Secretary
Jeremy Boak, Non-Executive Director
Daniel Martin, Non-Executive Director
Piotr Rozwadowski, Non-Executive Director, with effect from 22 July 2013
John Buggenhagen, Director of Exploration, resigned on 20 May 2013
Con Casey, Non-Executive Director, resigned on 22 July 2013

In accordance with the Articles of Association, Raymond King and Jeremy Boak retire from the board by rotation and being eligible offer themselves for re-election. Piotr Rozwadowski has been appointed as director and will retire at the 2014 Annual General Meeting, being the first Annual General Meeting of the Company following his appointment and being eligible will offer himself for election as director.

Directors and their Interests

The Directors and Secretary who held office at 31 December 2013 had no interests other than those shown below in the Ordinary Shares of the Company. All interests are beneficially held by the directors.

	Ordinary shares		
Director	25/06/14	31/12/13	01/01/13
Oisin Fanning	81,892,632	60,840,000	60,840,000
Paul Sullivan	60,840,000	59,840,000	59,840,000
Raymond King	–	–	–
Jeremy Boak	–	–	–
Daniel Martin	1,134,549	1,134,549	1,134,549
Piotr Rozwadowski	–	–	–

Share options

Details of share options granted to the Directors are as follows:

Director	Options at 01/01/13	Granted in year	Exercised in year	Cancelled in year	Options at 31/12/13	Exercise price	Expiry date
Oisin Fanning	2,500,000	–	–	–	2,500,000	£0.11	04/02/16
	3,000,000	–	–	–	3,000,000	£0.11	14/11/18
	5,000,000^	–	–	–	5,000,000	£0.35	25/07/17
	3,500,000^	–	–	–	3,500,000	£0.35	13/02/18
	250,000	–	–	–	250,000	£0.25	29/12/17
	5,500,000*	–	–	–	5,500,000	€0.05	14/11/18
	3,500,000	–	–	–	3,500,000	£0.13	20/03/19
	5,500,000*	–	–	–	5,500,000	€0.05	06/07/19
Paul Sullivan	2,000,000	–	–	–	2,000,000	£0.11	04/02/16
	5,000,000^	–	–	–	5,000,000	£0.35	25/07/17
	250,000	–	–	–	250,000	£0.25	29/12/17
	2,500,000^	–	–	–	2,500,000	£0.35	13/02/18
	250,000	–	–	–	250,000	£0.11	14/11/18
	2,750,000	–	–	–	2,750,000	£0.11	14/11/18
	4,000,000*	–	–	–	4,000,000	€0.05	14/11/18
	3,000,000	–	–	–	3,000,000	£0.13	20/03/19
	4,000,000*	–	–	–	4,000,000	€0.05	06/07/19
Raymond King	1,000,000	–	–	–	1,000,000	€0.05	22/09/15
	1,000,000	–	–	–	1,000,000	£0.11	04/02/16
	250,000	–	–	–	250,000	£0.25	29/12/17
	250,000	–	–	–	250,000	£0.11	14/11/18
	1,500,000	–	–	–	1,500,000	£0.13	20/03/19
Jeremy Boak	–	–	–	–	–	–	–
Daniel Martin	–	–	–	–	–	–	–
Piotr Rozwadowski	–	–	–	–	–	–	–

^ The 10,000,000 (2012: 15,000,000) options granted at £0.35 in 2010 and the 6,000,000 (2012:8,000,000) options granted at £0.35 in 2011 are only exercisable on fulfilment of a market condition requiring the Company share price to exceed £1.00 and £1.20 respectively for a period of thirty days.

* Options vest subject to achievement of a production target of over 501 barrels of oil equivalent per day within the life of the option.

All other options vest immediately on grant.

Directors' report continued
for the year ended 31 December 2013

Transactions involving Directors
Contracts and arrangements of significance during the year in which Directors of the Company were interested are disclosed in Note 31 to the financial statements.

Significant shareholders
The Company has been informed that, in addition to the interests of the Directors above, at 31 December 2013 and the date of this report, the following shareholders own 3% or more of the issued share capital of the Company:

	Percentage of issued share capital	
	18/06/14	31/12/13
Toscafund Asset Management LLP	**22.03%**	21.08%
Quantum Partners LP	**8.52%**	8.54%
The Capital Group Companies Inc	**6.12%**	4.16%
Kulczyk Investments S.A.	**3.49%**	3.49%

The Directors are not aware of any other holding of 3% or more of the share capital of the Company.

Group undertakings
Details of the Company's subsidiaries are set out in Note 15 to the financial statements.

Political donations
There were no political donations during the current or prior year.

Directors' Responsibility Statement
The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable Irish law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by AIM and as permitted by company law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the Company financial statements in accordance with EU IFRS, as applied in accordance with the provisions of the Irish Companies Acts, 1963 to 2013 ("the Companies Acts").

The Group and Company financial statements are required by law and EU IFRS to present fairly the financial position and performance of the Group; the Companies Acts provide, in relation to such financial statements, that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

Under applicable law and the requirements of the AIM Rules, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern
The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review, are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future which covers a period of at least twelve months from the date of approval of these financial statements. Further details on the assumptions in the cash flow projections are provided on page 57.

The Directors have discussed the assumptions and basis of preparation of the projections and having considered the financial resources available believe that it is appropriate to prepare the financial statements on the going concern basis.

Corporate Governance
The Directors are committed to maintaining high standards of corporate governance consistent with the size, nature and stage of development of the Company. The Board is accountable to Shareholders for good corporate governance and has adopted the following procedures in this regard.

The Board
At the date this annual report is published, the Board comprises two executive directors and four non-executive directors.

In order to ensure that the Directors can properly carry out their roles, the members of the Board are provided with comprehensive information and financial details prior to all Board meetings. The Board meets at least six times a year to discuss and decide the Company's business and strategic decisions. In addition, there is a high degree of contact between Board meetings to ensure all Directors are aware of the Company's business. If necessary, the non-executive Directors may take independent advice at the expense of the Company.

Remuneration Committee
The Remuneration Committee is composed of Raymond King and Daniel Martin with Raymond King appointed as chairman. The Remuneration Committee monitors the performance of each of the Company's executive Directors and senior executives to ensure they are rewarded fairly for their contribution. The recommendations of the Remuneration Committee are presented to a meeting of the full Board. The remuneration and terms and conditions of appointment of the non-executive Directors are set by the Board as a whole.

Audit Committee
The Audit Committee consists of Raymond King and Daniel Martin with Raymond King appointed as chairman. The duties of the Committee include the review of the accounting principles, policies and practices adopted in preparing the financial statements, external compliance matters, internal control principles and the review of the Group's financial results. It also considers how to maintain an appropriate relationship with the Company's auditors. The Committee approves fees in respect of non-audit services provided by external auditors in order to safeguard the external auditor's independence and objectivity. The Audit Committee meets the external auditors and meets internally at least twice per year. It also meets on an ad hoc basis as required.

Nomination Committee
The Nomination Committee consists of Oisin Fanning, Paul Sullivan and Raymond King with Oisin Fanning appointed as chairman. The nominations committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required. It is responsible for locating appropriate senior candidates and conducting initial interviews and submitting recommendations on any appointment to the Board.

Risk and Safety Committee
The Risk and Safety Committee consists of Daniel Martin and Raymond King with Raymond King appointed as chairman. The committee is responsible for evaluating risks in Group operations including property, personnel and environmental risks and ensuring that appropriate procedures are in place for mitigating risk and ensuring that adequate insurance cover in place for identifiable risks.

Advisory Committee
The Advisory Committee consists of independent industry experts Nick Butler (Chairman), Gerard Medaisko and Robert Price. The Advisory Committee provides senior guidance, invaluable strategic and industry insight, as well as their expertise and advice as the Company looks to continue to develop its portfolio of assets. A key role of the Advisory Committee is to work alongside the management team and evaluate new opportunities that the Company is investigating.

Communications
The Company maintains regular contact with shareholders through publications such as the annual and interim reports, operational updates, Regulatory News Service "RNS" and the Company's website, www.sanleonenergy.com. The Directors are responsive to shareholder telephone and email enquiries throughout the year. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views.

Internal control
The board acknowledges its overall responsibility for ensuring that the Company has a system of internal control in place that is appropriate. However, shareholders should be mindful that any system can only provide reasonable, not absolute assurance against material misstatement or loss and is designed to manage but not to eliminate the risk of failure to achieve business objectives. The key procedures are:
- preparation of annual budgets for all licence areas for approval by the board;
- ongoing review of expenditure and cash flows versus approved budget;
- establishment of appropriate cash flow management and treasury policies for the management of liquidity, currency and credit risk on financial assets and liabilities;
- regular management meetings to review operating and financial activities; and
- recruitment of appropriately qualified and experienced staff to key financial and management positions.

The Company has adopted a model code for Directors' share dealings which is appropriate for an AIM listed company. The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees.

Remuneration Committee Report
The Group's policy on senior executive remuneration is designed to attract and retain individuals of the highest calibre who bring relevant experience and independent views to the development of policy, strategic decisions and governance of the Group.

In determining remuneration levels, the Remuneration Committee takes into consideration the practices of other companies of similar scope and size. A key philosophy is that staff should be properly rewarded and motivated to perform in the best interests of the Shareholders.

Directors' report continued
for the year ended 31 December 2013

Director emoluments and pension contributions, excluding share based payments, during the year ended 31 December 2013 were as follows:

	Salary & emoluments €	Pension €	Fees €	**2013 Total €**	2012 Total €
Oisin Fanning	1,088,092	–	50,000	**1,138,092**	1,362,127
Paul Sullivan	471,558	97,417	50,000	**618,975**	732,752
John Buggenhagen*	320,695	–	25,000	**345,695**	850,800
Raymond King^	–	–	240,347	**240,347**	173,767
Jeremy Boak	–	–	37,744	**37,744**	38,783
Daniel Martin^	–	–	159,607	**159,607**	163,357
Con Casey+	–	–	25,000	**25,000**	16,668
Piotr Rozwadowski~	–	–	15,256	**15,256**	–
	1,880,345	97,417	602,954	**2,580,716**	3,338,254

* Resigned 20 May 2013

\+ Resigned 22 July 2013

^ Includes amounts paid to companies under service agreements entered into by the Group for the services of these individuals.

~ From 22 July 2013

In accordance with IFRS 2, Share based payments, an additional cost of €1,618,239 (2012: €2,571,210) has been recognised in respect of share options granted to Directors (See Note 27).

Books and accounting records
The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements. The books and accounting records are maintained at 3300 Lake Drive, Citywest Business Campus, Dublin 24.

Events since the year end
Details of significant events since the year end are included in Note 33.

Auditor
The Auditor, KPMG, Chartered Accountants have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable Irish law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by AIM and as permitted by company law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the Company financial statements in accordance with EU IFRS, as applied in accordance with the provisions of the Irish Companies Acts, 1963 to 2013 ("the Companies Acts").

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- Comply with EU IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements based on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Under the applicable law and the requirements of the AIM Rules, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors remuneration.

The Directors are responsible for keeping proper books of account that 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 Companies Acts 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Oisin Fanning
Director

Raymond King
Director

Independent auditor's report to the members of San Leon Energy plc

We have audited the Group and Parent Company financial statements (''financial statements'') of San Leon Energy plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2013.

This report is made solely to the Company's members as a body in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in the 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 Company or the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2013 and of its loss for the year then ended;
- the Parent Company Statement of Financial Position gives a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the Parent Company's affairs as at 31 December 2013; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Matters on which we are required to report by the Companies Acts 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. The Parent Company's Statement of Financial Position is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Parent Company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Parent Company, as stated in the Parent Company Statement of Financial Position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you, if in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Cliona Mullen
for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

25 June 2014

Consolidated income statement
for the year ended 31 December 2013

	Notes	2013 €	2012 €
Continuing operations			
Revenue	1	**3,013**	333,146
Cost of sales		**(453)**	(179,482)
Gross profit		**2,560**	153,664
Other income	2	**4,229,277**	5,339,031
Administrative expenses		**(10,899,228)**	(6,011,443)
Impairment of exploration and evaluation assets	10	**(7,036,679)**	–
(Loss) from operating activities		**(13,704,070)**	(518,748)
Finance expense	5	**(1,587,240)**	(2,549,620)
Finance income	6	**1,751,393**	3,170,110
Share of loss of equity-accounted investments	11	**(141,745)**	(29,403)
(Loss)/profit before income tax		**(13,681,662)**	72,339
Income tax expense	8	**(19,778)**	(10,197)
(Loss)/profit for the year after tax from continuing operations		**(13,701,440)**	62,142
Discontinued operations			
(Loss)/profit from discontinued operations (net of income tax)	3	**(3,350,138)**	398,525
(Loss)/profit for the year attributable to equity holders of the Group		**(17,051,578)**	460,667

The comparative income statement has been re-presented as if the operations discontinued during the current year had been discontinued from the start of the comparative year.

Consolidated income statement continued
for the year ended 31 December 2013

	Notes	**2013 €**	2012 €
(Loss)/earnings per share (cent) – continuing operations			
Basic (loss)/earnings per share	9	**(0.70) cent**	0.01 cent
Diluted (loss)/earnings per share	9	**(0.70) cent**	0.01 cent
(Loss)/earnings per share (cent) – discontinued operations			
Basic (loss)/earnings per share	9	**(0.17) cent**	0.03 cent
Diluted (loss)/earnings per share	9	**(0.17) cent**	0.03 cent
(Loss)/earnings per share (cent) – total			
Basic (loss)/earnings per share	9	**(0.87) cent**	0.04 cent
Diluted (loss)/earnings per share	9	**(0.87) cent**	0.04 cent

The accompanying notes on pages 62-89 form an integral part of these financial statements.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Consolidated statement of other comprehensive income for the year ended 31 December 2013

	Notes	**2013 €**	2012 €
(Loss)/profit for the year		**(17,051,578)**	460,667
Items that may be reclassified subsequently to the income statement			
Foreign currency translation differences – foreign operations	14	**(5,282,870)**	2,596,068
Fair value movements in available-for-sale financial assets	16	**(2,658,522)**	(436,721)
Total comprehensive (loss)/income for the year		**(24,992,970)**	2,620,014

The accompanying notes on pages 62-89 form an integral part of these financial statements.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Consolidated statement of changes in equity
for the year ended 31 December 2013

	Share capital €	Share premium €	Currency translation reserve €	Share based payment reserve €
2012				
Balance at 1 January 2012	56,658,591	122,891,220	1,298,049	5,461,488
Total comprehensive income for year				
Profit for the year	–	–	–	–
Other comprehensive income				
Foreign currency translation differences – foreign operations	–	–	2,596,068	–
Fair value movements in available-for-sale financial assets	–	–	–	–
Total comprehensive income for year	–	–	2,596,068	–
Transactions with owners recognised directly in equity				
Contributions by and distributions to owners				
Issue of shares on acquisition of equity accounted investments (Note 11)	4,271,283	7,610,716	–	–
Share warrants exercised (Note 25)	148,500	319,648	–	–
Share based payment (Note 27)	–	–	–	3,436,353
Effect of share options forfeit	–	–	–	(944,519)
Effect of warrants issued on loan note (Note 23)	–	–	–	21,125
Shares issued to Realm shareholders on conversion of exchangeable shares	393,265	689,866	–	–
Total transactions with owners	4,813,048	8,620,230	–	2,512,959
Balance at 31 December 2012	**61,471,639**	**131,511,450**	**3,894,117**	**7,974,447**
2013				
Balance at 1 January 2013	61,471,639	131,511,450	3,894,117	7,974,447
Total comprehensive income for year				
Loss for the year	–	–	–	–
Other comprehensive income				
Foreign currency translation differences – foreign operations	–	–	(5,282,870)	–
Fair value movements in available-for-sale financial assets	–	–	–	–
Total comprehensive income for year	–	–	(5,282,870)	–
Transactions with owners recognised directly in equity				
Contributions by and distributions to owners				
Issue of shares related to business combinations	32,126,484	29,002,133	–	–
Issue of shares for cash	32,631,579	3,138,175	–	–
Share based payment (Note 27)	–	–	–	3,821,953
Effect of share warrants forfeit	–	–	–	(29,948)
Effect of share options forfeit	–	–	–	(1,552,955)
Shares issued to Realm Shareholders on conversion of exchangeable shares	331,245	580,954	–	–
Total transactions with owners	65,089,308	32,721,262	–	2,239,050
Balance at 31 December 2013	**126,560,947**	**164,232,712**	**(1,388,753)**	**10,213,497**

The accompanying notes on pages 62-89 form an integral part of these financial statements.

Fair value reserve €	Retained earnings €	Attributable to equity holders in Group €	Non–controlling interest €	Total €
–	3,085,780	189,395,128	2,523,181	191,918,309
–	460,667	460,667	–	460,667
–	–	2,596,068	–	2,596,068
(436,721)	–	(436,721)	–	(436,721)
(436,721)	460,667	2,620,014	–	2,620,014
–	–	11,881,999	–	11,881,999
–	–	468,148	–	468,148
–	–	3,436,353	–	3,436,353
–	748,788	(195,731)	–	(195,731)
–	–	21,125	–	21,125
–	–	1,083,131	(1,083,131)	–
–	748,788	16,695,025	(1,083,131)	15,611,894
(436,721)	**4,295,235**	**208,710,167**	**1,440,050**	**210,150,217**
(436,721)	4,295,235	208,710,167	1,440,050	210,150,217
–	(17,051,578)	(17,051,578)	–	(17,051,578)
–	–	(5,282,870)	–	(5,282,870)
(2,658,522)	–	(2,658,522)	–	(2,658,522)
(2,658,522)	(17,051,578)	(24,992,970)	–	(24,992,970)
–	–	61,128,617	–	61,128,617
–	–	35,769,754	–	35,769,754
–	–	3,821,953	–	3,821,953
–	29,948	–	–	–
–	122,070	(1,430,885)	–	(1,430,885)
–	–	912,199	(912,199)	–
–	152,018	100,201,638	(912,199)	99,289,439
(3,095,243)	**(12,604,325)**	**283,918,835**	**527,851**	**284,446,686**

Company statement of changes in equity
for the year ended 31 December 2013

	Share capital €	Share premium €
2012		
Balance at 1 January 2012	56,658,591	122,891,220
Total comprehensive income		
Loss for the year	–	–
Fair value movements in available for sale financial assets	–	–
Total comprehensive income for the year	–	–
Transactions with owners recognised directly in equity		
Contributions by and distributions to owners		
Issue of shares on acquisition of equity accounted investments (Note 11)	4,271,283	7,610,716
Share warrants exercised (Note 25)	148,500	319,648
Share based payment (Note 27)	–	–
Effect of share options forfeit	–	–
Effect of warrants issued on loan note (Note 23)	–	–
Shares issued to Realm shareholders on conversion of exchangeable shares	393,265	689,866
Total transactions with owners	4,813,048	8,620,230
Balance at 31 December 2012	**61,471,639**	**131,511,450**
2013		
Balance at 1 January 2013	61,471,639	131,511,450
Total comprehensive income		
Loss for the year	–	–
Fair value movement in available for sale finance asset	–	–
Total comprehensive income for the year	–	–
Transactions with owners recognised directly in equity		
Contributions by and distributions to owners		
Issue of shares related to business combinations (Note 23)	32,126,484	29,002,133
Issue of shares for cash (Note 23)	32,631,579	3,138,175
Share based payment (Note 27)	–	–
Effect of share warrants forfeit	–	–
Effect of share options forfeit	–	–
Shares issued to Realm Shareholders on conversion of exchangeable shares	331,245	580,954
Total transactions with owners	65,089,308	32,721,262
Balance at 31 December 2013	**126,560,947**	**164,232,712**

The accompanying notes on pages 62-89 form an integral part of these financial statements.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

	Shares to be issued €	Share based payment reserve €	Fair value reserve €	Retained earnings €	Total equity €
	2,523,181	5,461,488	–	(20,205,610)	167,328,870
	–	–	–	(2,447,046)	(2,447,046)
	–	–	–	–	–
	–	–	–	(2,447,046)	(2,447,046)
	–	–	–	–	11,881,999
	–	–	–	–	468,148
	–	3,436,353	–	–	3,436,353
	–	(944,519)	–	748,787	(195,732)
	–	21,125	–	–	21,125
	(1,083,131)	–	–	–	–
	(1,083,131)	2,512,959	–	748,787	15,611,893
	1,440,050	**7,974,447**	–	**(21,903,869)**	**180,493,717**
	1,440,050	7,974,447	–	(21,903,869)	180,493,717
	–	–	–	(7,899,786)	(7,899,786)
	–	–	(980,581)	–	(980,581)
	–	–	(980,581)	(7,899,786)	(8,880,367)
	–	–	–	–	61,128,617
	–	–	–	–	35,769,754
	–	3,821,953	–	–	3,821,953
	–	(29,948)	–	29,948	–
	–	(1,552,955)	–	122,070	(1,430,885)
	(912,199)	–	–	–	–
	(912,199)	2,239,050	–	152,018	99,289,439
	527,851	**10,213,497**	**(980,581)**	**(29,651,637)**	**270,902,789**

Consolidated statement of financial position
as at 31 December 2013

Assets	Notes	2013 €	2012 €
Non-current assets			
Intangible assets	10	**186,052,006**	165,390,968
Equity accounted investments	11	**23,728,594**	17,178,666
Property, plant and equipment	12	**10,514,451**	9,859,676
Other non-current assets	13	**3,407,821**	2,291,660
Financial assets	16	**37,432,083**	38,761,256
		261,134,955	233,482,226
Current assets			
Inventory	17	**229,978**	590,211
Trade and other receivables	18	**13,216,437**	6,293,870
Other financial assets	19	**6,274,202**	928,452
Cash and cash equivalents	20	**11,420,968**	1,824,799
Assets classified as held for sale	3	**15,705,353**	–
		46,846,938	9,637,332
Total assets		**307,981,893**	243,119,558
Equity and liabilities			
Equity			
Called up share capital	25	**126,560,947**	61,471,639
Share premium account	25	**164,232,712**	131,511,450
Share based payments reserve	26/27	**10,213,497**	7,974,447
Currency translation reserve	26	**(1,388,753)**	3,894,117
Fair value reserve		**(3,095,243)**	(436,721)
Retained earnings		**(12,604,325)**	4,295,235
Attributable to equity holders of the Group		**283,918,835**	208,710,167
Non-controlling interest	26	**527,851**	1,440,050
Total equity		**284,446,686**	210,150,217
Non-current liabilities			
Derivative	22	**208,434**	1,884,251
Provisions	24	**–**	5,345,211
Deferred tax liabilities	30	**9,329,447**	9,329,447
		9,537,881	16,558,909
Current liabilities			
Trade and other payables	21	**6,228,211**	7,732,906
Loans and borrowings	23	**–**	7,117,293
Provisions	24	**1,397,094**	1,560,233
Liabilities classified as held for sale	3	**6,372,021**	–
		13,997,326	16,410,432
Total liabilities		**23,535,207**	32,969,341
Total equity and liabilities		**307,981,893**	243,119,558

The accompanying notes on pages 62-89 form an integral part of these financial statements.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Company statement of financial position
as at 31 December 2013

Assets	Notes	2013 €	2012 €
Non-current assets			
Property, Plant and Equipment	12	**6,924,528**	6,515,475
Financial assets – investment in subsidiaries	15	**184,807,997**	121,661,518
Financial assets – other	16	**348,767**	–
		192,081,292	128,176,993
Current assets			
Trade and other receivables	18	**96,048,604**	67,833,615
Other financial assets	19	**4,751,470**	–
Cash and cash equivalents	20	**7,789,260**	1,648,896
		108,589,334	69,482,511
Total assets		**300,670,626**	197,659,504
Equity and liabilities			
Equity			
Called up share capital	25	**126,560,947**	61,471,639
Share premium account	25	**164,232,712**	131,511,450
Shares to be issued	26	**527,850**	1,440,050
Share based payments reserve	26/27	**10,213,497**	7,974,447
Fair value reserve		**(980,581)**	–
Retained loss		**(29,651,636)**	(21,903,869)
Attributable to equity shareholders		**270,902,789**	180,493,717
Non-current liabilities			
Derivative	22	**208,434**	1,884,251
		208,434	1,884,251
Current liabilities			
Trade and other payables	21	**29,559,403**	8,104,973
Loans and borrowings	23	**–**	7,176,563
		29,559,403	15,281,536
Total liabilities		**29,767,837**	17,165,787
Total equity and liabilities		**300,670,626**	197,659,504

The accompanying notes on pages 62-89 form an integral part of these financial statements.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Consolidated statement of cash flows
for the year ended 31 December 2013

	Notes	2013 €	2012 €
Cash flows from operating activities			
(Loss)/profit before tax – Continuing operations		**(13,681,662)**	72,339
(Loss)/profit before tax – Discontinued operations		**(3,350,138)**	398,525
Adjustments for:			
Depletion and depreciation		**118,006**	135,930
Finance expense	5	**1,587,240**	2,549,620
Finance income	6	**(1,751,393)**	(3,170,110)
Share based payments charge		**639,954**	765,909
Foreign exchange		**(1,172,367)**	1,431,437
Gain on Talisman acquisition	2	**(4,229,277)**	–
Impairment of exploration and evaluation assets – continuing operations	10	**7,036,679**	–
Impairment of exploration and evaluation assets – discontinued operations	3	**3,579,880**	–
Gain on disposal of Amstel Royalty Interest	2	**–**	(5,336,923)
Increase in other non-current assets	13	**(1,116,161)**	(1,478,683)
Decrease in stocks		**360,233**	167,458
(Increase)/Decrease in trade and other receivables		**(2,746,657)**	2,275,073
(Decrease) in trade and other payables		**(2,766,513)**	(2,209,583)
Share of loss of equity-accounted investments	11	**141,745**	29,403
Tax (paid)/repaid		**(31,122)**	31,970
Net cash (used) in operating activities		**(17,381,553)**	(4,337,635)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		**(31,250,052)**	(26,459,867)
Joint venture partner share of exploration costs		**4,045,909**	719,951
Purchase of property, plant and equipment		**(1,854,578)**	(1,086,639)
Interest received		**36,699**	128,868
(Increase) in restricted cash	20	**(5,517,332)**	(533,956)
Acquisition of equity accounted investments	11	**–**	(1,872,778)
Advances to equity accounted investments	11	**(1,631,488)**	(571,507)
Proceeds of Amstel Royalty disposal		**–**	9,898,125
Proceeds of Offshore Morocco farm-out		**1,210,217**	–
Net cash acquired with subsidiary		**31,897,712**	–
Cash acquired with asset acquisition		**3,949,107**	–
Payment to acquire financial assets	16	**(1,329,349)**	–
Net cash (used) in investing activities		**(443,155)**	(19,777,803)
Cash flows from financing activities			
Proceeds of issue of share capital, net of costs		**35,769,754**	279,688
Proceeds from drawdown of other loans		**2,612,315**	3,186,024
Repayment of other loans		**(9,258,223)**	(3,918,569)
Movement on Director loan		**(859,373)**	613,630
Interest paid		**(881,298)**	(572,113)
Net cash generated/(used) in financing activities		**27,383,175**	(411,340)
Net increase/(decrease) in cash and cash equivalents		**9,558,467**	(24,526,778)
Effect of foreign exchange fluctuation on cash and cash equivalents		**37,702**	153,614
Cash and cash equivalents at start of year	20	**1,824,799**	26,197,963
Cash and cash equivalents at end of year	20	**11,420,968**	1,824,799

The accompanying notes on pages 62-89 form an integral part of these financial statements.

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Company statement of cash flows
for the year ended 31 December 2013

	Notes	2013 €	2012 €
Cash flows from operating activities			
Loss before tax		**(7,890,942)**	(2,439,283)
Adjustments for:			
Depletion and depreciation		**81,738**	92,565
Finance expense		**1,601,293**	2,747,630
Finance income		**(2,433,666)**	(2,879,043)
Share based payments charge		**527,323**	579,665
Foreign exchange		**(210,362)**	(294,610)
Other gains		**–**	(206,533)
(Increase) in trade and other receivables		**(2,587,669)**	(89,145)
Increase/(decrease) in trade and other payables		**855,674**	(1,784,349)
Tax (paid)/repaid		**(8,620)**	15,404
Net cash (used) from operating activities		**(10,065,231)**	(4,257,699)
Cash flows from investing activities			
Payments to acquire financial assets		**(1,481,760)**	–
Purchase of property, plant and equipment		**(492,496)**	(659,753)
Interest received		**34,043**	121,438
Advances to subsidiary companies		**(8,416,994)**	(13,376,366)
(Increase) in restricted cash		**(4,751,470)**	–
Net cash (used) in investing activities		**(15,108,677)**	(13,914,681)
Cash flows from financing activities			
Proceeds of issue of share capital, net of costs		**35,769,754**	279,688
Proceeds from drawdown of other loans		**2,612,315**	3,186,024
Repayment of other loans		**(6,292,571)**	–
Movement in Director loan		**60,309**	613,360
Interest paid		**(880,224)**	(770,122)
Net cash generated from financing activities		**31,269,583**	3,308,950
Net increase/(decrease) in cash and cash equivalents		**6,095,675**	(14,863,430)
Effect of foreign exchange fluctuation on cash and cash equivalents		**44,689**	222,796
Cash and cash equivalents at start of year	20	**1,648,896**	16,289,530
Cash and cash equivalents at end of year	20	**7,789,260**	1,648,896

On behalf of the Board

Oisin Fanning
Director

Raymond King
Director

Statement of accounting policies
for the year ended 31 December 2013

San Leon Energy Plc ("the Company") is a company incorporated and domiciled in the Republic of Ireland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The registered office address is 1st Floor, Wilton House, Wilton Place, Dublin 2.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statement.

Statement of compliance

As required by AIM and ESM rules and permitted by Company Law, the Group financial statements have been prepared in accordance with IFRS as adopted by the EU. The individual financial statements of the Company (Company financial statements) have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2013 which permits a Company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 148(8) of the Companies Act 1963, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU as applied by the Company and Group in the preparation of these financial statements are those that were effective for accounting periods ending on or before 31 December 2013 or which were early adopted as indicated below.

The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRS and IFRIC interpretations adopted by the Group as of 1 January 2013:

- IFRS 7 Financial Instruments: Disclosures (Amended)
- IFRS 13 Fair Value Measurement
- IAS1 Presentation of Financial Statements (Amended)
- IAS 12 Income Taxes (Amended)
- IAS 16 Property, Plant and Equipment (Amended)
- IAS 19 Employee Benefits (2011)
- IAS 32 Financial Instruments: Presentation (Amended)
- IAS 34 Interim Financial Reporting (Amended)
- Recoverable amount disclosures for non-financial assets (Amendments to IAS 36)

None of these had a significant impact on the results or financial position of the Group for the year ended 31 December 2013.

Forthcoming requirements

A number of new standards or amendments to existing standards as set out below have been published, endorsed by the EU and are mandatory for the Group in future accounting periods. The Group does not plan to adopt these standards early. In due course, the Group's ongoing assessments to fully assess the extent of the impact of the changes prescribed by these standards on the Group's accounting policies will be finalised. Our current expectations are as follows:

- IFRS 9 Financial Instruments (2010) (Effective 1 January 2018): Introduces new requirements for classifying and measuring financial assets, for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements for IAS 39 Financial Instruments. The standard could materially change the classification and measurement of the Group's financial instruments; (not fully EU endorsed).
- IFRS 10 Consolidation Financial Statements (Effective 1 January 2014): Introduces new principles for determining how an entity should be included in the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The current assessment is that this standard is not expected to change the classification of entities in which the Group's holds interests but this assessment is subject to finalisation.
- IFRS 11 Joint Arrangements (Effective 1 January 2014): Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The Group is currently completing an assessment of its arrangements to determine whether they fall to be classified as joint ventures or joint operations under the criteria set out in IFRS 11. Early indications are that the standard will not impact significantly on the Group's future financial statements.
- IFRS 12 Disclosure of Interests in Other Entities (Effective 1 January 2014): Requires the extensive disclosure of information that enables users of financial statements to evaluation the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial positions, financial performance and cash flows. No significant impact is anticipated.
- IAS 27 Separate Financial Statements (Effective 1 January 2014): Now only deals with requirements for separate financial statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. No significant impact is anticipated.

- IAS 28 Investments in Associates and Joint Ventures (2011) (Effective 1 January 2014): Accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact is anticipated.
- IAS 32 Financial Instruments: Presentation (Effective 1 January 2014): Outlines basis for offsetting of financial assets and liabilities. No significant impact is anticipated.
- IFRIC 21 Levies (Effective 1 January 2014): Outlines the basis for how an entity should account for liabilities to pay levies imposed by governments. The impact is being considered by management.

In addition, the IASB's Annual Improvements Process, together with some minor amendments to other existing standards, are being assessed by the Group.

Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for financial assets (net profit interests), which are carried at fair value, and equity settled share option awards and warrants which are measured at grant date fair value.

Basis of preparation – going concern

The Directors have prepared a detailed cash flow forecast for the Group and Company for the period from 1 May 2014 to 31 December 2015.

The cash flow forecast reflects the Directors' plans for the on-going exploration activity across the Group's exploration asset portfolio taking account of its licence commitments, technical team costs, administrative overhead, other financial commitments, agreed and potential farm-ins and its available financial resources from existing cash balances and committed facilities. The principal assumptions underlying the cash flow forecast and the availability of finance to the Group are as follows:

- The proposed farm-outs will complete as planned with timely receipt of associated consideration;
- Production revenues and exploration and administrative expenditure are in line with current expectations and commitments;
- The sale of the Group's Irish assets (excluding the Barryroe Net Profit Interest) will complete; and
- The unsigned Term Sheet for a Fixed Schedule Equity Funding Agreement ("FSEFA") between the Company and YA Global Master SPV Ltd ("YA Global") provides the Group with a debt facility of Stg£21m accessible over a 30 month period from August 2014 ("the facility"). This Term Sheet modifies the existing Standby Equity Distribution Agreement with YA Global, which remains in effect.

The facility referred to above comprises 30 consecutive equity fundings of Stg£0.7m per month and is only activated when San Leon issue an activation notice to YA Global, but not before 15 July 2014.

In addition, the strategy of the Directors is to mitigate risk on its exploration portfolio by monetising certain assets through outright/partial disposal of interests or securing farm-in partners on certain projects. The Directors intend, where appropriate, to continue to seek to structure such farm-ins to secure cash contributions for past costs or secure payments for future exploration activities. The Directors are engaged in on-going discussions on a number of its assets which they expect will generate cash resources to assist in financing the Group's exploration programme in the foreseeable future.

The cash flow forecast for the period to 31 December 2015 shows sufficient cash resources available to enable the Group and Company to discharge its debts as they fall due and to continue to develop its business in accordance with its strategy. The cash flow forecast assumes that no drawdowns under the FSEFA debt facility will be required.

After considering the cash flow forecast and the underlying assumptions, sensitivities and the financing facilities available to the Group, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence and to discharge its debts as they fall due for the foreseeable future.

Accordingly the Directors continue to adopt the going concern basis of preparation of the financial statements for the year ended 31 December 2013.

Functional and presentation currency

These consolidated financial statements are presented in Euro (€), which is the Company's functional currency and the Group's presentational currency.

Use of estimates and judgements

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised

Statement of accounting policies continued
for the year ended 31 December 2013

in the period in which the estimate is revised and in any future periods affected. In particular, significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- Recoverability of intangible assets (Note 10)
- Recoverability of equity accounted investments (Note 11)
- Measurement of financial assets (Note 16)
- Measurement of decommissioning provisions (Note 24)
- Measurement of share-based payments (Note 27)
- Recognition of tax losses (Note 30)

Basis of consolidation
The financial information incorporates the financial information of the Company and entities controlled by the Group (its subsidiaries). Control is the power either directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group. Intra-group balances and any unrealised gains and losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions
The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Intangible assets – exploration and evaluation assets
Expenditure incurred prior to obtaining the legal rights to explore an area is recognised in profit or loss as incurred. All expenditure relating to licence acquisition, exploration, evaluation and appraisal of oil and gas interests, including an appropriate share of directly attributable overheads, is capitalised on a licence by licence basis.

Exploration and evaluation assets are carried at cost until the exploration phase is complete or commercial reserves have been discovered. The Group regularly reviews the carrying amount of exploration and evaluation assets for indicators of impairment and capitalised costs are written off where the carrying amount of assets may not be recoverable. Where commercial reserves have been established and development is approved by the Board, the relevant expenditure is transferred to oil and gas properties following assessment of impairment.

Royalty
Royalty assets are carried at cost less accumulated amortisation. Amortisation is charged in proportion to the current year production based on total estimated production over the life of the field.

Impairment
The carrying amounts of the Group's assets are reviewed at each reporting date and, if there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. Estimates on impairment are limited to an assessment by the Directors of any events or changes in circumstance that would indicate that the carrying amount of the asset may not be recoverable. Any impairment loss arising from the review is recognised in profit or loss to the extent the carrying amount of the asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Oil and gas properties
Oil and gas properties are stated at cost less accumulated depreciation and impairment losses. The initial cost comprises the purchase price or construction cost including any directly attributable costs of bringing the asset into operation and any estimated decommissioning provision.

Oil and gas properties are depleted on a unit of production basis over the estimated proven and probable reserves of the field.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. The annual rate of depreciation for each class of depreciable asset is:

Office equipment	25% Straight line
Motor vehicle	20% Reducing balance
Plant and equipment	20%-33% Straight line

Jointly controlled operations or assets

The Group has entered into a number of joint arrangements on production and exploration assets that result in jointly controlled assets. The Group accounts for only its share of assets, liabilities, income and expenditure in relation to these jointly controlled assets.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Jointly controlled entities

The Group also has entered into joint venture arrangements which are operated through jointly controlled entities. The Group accounts for its interest in these entities on an equity basis, with Group share of profit or loss after tax recognised in the Income Statement and its share of other comprehensive income of the joint venture recognised in other comprehensive income.

Financial fixed assets – investment in subsidiaries

Financial fixed assets in the Company Statement of Financial Position consist of investments in subsidiary undertakings and are stated at cost less provision for impairment where applicable.

Financial assets – available for sale

The Group's financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income. On disposal, the cumulative gain or loss previously reported in other comprehensive income is included in the calculation of any gain or loss arising on disposal and recognised in profit or loss.

Decommissioning provision

A provision is made for decommissioning of oil and gas wells. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recognised and reassessed at each reporting date. This amount is regarded as part of the total investment to gain access to economic benefits and consequently capitalised as part of the cost of the asset and the liability is recognised in provisions. Such cost is depleted over the life of the asset on the basis of estimated proven and probable reserves and charged to the Income Statement. The unwinding of the discount is reflected as a finance cost in the Income Statement over the life of the field or well.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are controlled and probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currencies

Transactions in foreign currencies are initially translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rates ruling at the reporting date with gains or losses recognised in profit or loss. Non-monetary items are translated using the exchange rates ruling as at the date of the initial transaction.

Statement of accounting policies continued
for the year ended 31 December 2013

Foreign operations
The assets and liabilities of foreign operations are translated into Euro at the exchange rate at the reporting date and the income and expenses of foreign operations are translated at the actual exchange rates at the date of the transaction or at average exchange rates for the year where this approximates to the actual rate. Exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. Details of exchange rates used are set out in Note 32.

Revenue
Revenue from the sale of gas is recognised when the significant risks and rewards of ownership have been transferred, which is when the title passes to the customer. Revenue is measured at the fair value of the consideration receivable net of value added tax.

Finance income and expenses
Interest income is accrued on a time basis by reference to the principal on deposit and the effective interest rate applicable.

Finance expenses comprise interest or finance costs on borrowings and unwinding of any discount on provisions using the effective interest rate.

Share capital
Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Share based payments
The Group has applied the requirements of IFRS 2 'share based payments'. The Group issues share options as an incentive to certain key management and staff (including Directors), which are classified as equity settled share based payment awards. The grant date fair value of share options granted to Directors and employees under the Company's share option scheme is recognised as an expense over the vesting period with a corresponding credit to the share based payments reserve. To the extent that the service provided to the employee in receipt of the share option is directly related to the development of exploration and evaluation assets, an element of the share based payment change is capitalised in exploration and evaluation assets. The fair value of options granted in the year has been determined by an external valuer using an appropriate valuation model as detailed in Note 27.

The options issued by the Group are subject to both market-based and non-market based vesting conditions. Market conditions are included in the calculation of fair value at the date of the grant. Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the number of the equity instruments that are expected to vest. The proceeds received net of any directly attributable transaction costs will be credited to share capital (nominal value) and share premium when options are converted into ordinary shares.

Any grant date fair value of options granted under the company's share option scheme that were recognised as an expense or capitalized over the vesting period (or capitalised) and are subsequently cancelled are reversed as an expense or against the exploration and evaluation asset with a corresponding debit to the share based payment reserve.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes, share options granted to employees and warrants.

Segmental reporting
A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses which is subject to risks and rewards that are different from those of other segments and for which discrete financial information is available.

All operating segments and results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to each segment and to assess its performance.

Full details of the Group's operating segments all of which are involved in oil and gas exploration are set out in Note 1 to the financial statements.

Assets and liabilities held for sale
Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Defined Contribution Pension Scheme
The Group operates a defined contribution pension scheme. All contributions made are recognised in the Income Statement in the period in which they fall due.

Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.
- Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and Other Comprehensive Income is represented as if the operation had been discontinued from the start of the comparative year.

Fair value measurement
The Group has an established a process with respect to the measurement of fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the board. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For further detail on assumptions made in measuring level 3 fair values see the following notes: Note 16 Financial Assets, Note 22 Derivative.

Assets and liabilities measured at fair value (Note 32)
In accordance with IFRS 13, the group discloses its assets and liabilities held at fair value after initial recognition in the following categories: at fair value through profit or loss and available for sale.

With the exception of shares held in quoted entities and assets and liabilities held for sale which are classified as level 1 items under the fair value hierarchy, all assets and liabilities held at fair value are measured on the basis of inputs classified as level 3 under the fair value hierarchy on the basis that the inputs underpinning the valuations are not based on observable market data as defined in IFRS 13.

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates. All derivatives entered into by the Group are included in Level 3 and consist of share warrants issued.

Business combinations
Business combinations are accounted for using the acquisition method on the date on which control is transferred to the Group. The merger of San Leon and Aurelian completed on 25 January 2013, with San Leon shares issued in exchange for Aurelian shares. On Completion, San Leon shareholders owned 66% of the enlarged group with Aurelian shareholders owning the remainder. San Leon was the deemed acquirer in the transaction for the purposes of acquisition accounting under IFRS.

This merger qualified as a business combination and IFRS 3 'Business Combinations' required the transaction to be recorded for financial reporting purposes using the acquisition method. All identifiable assets and liabilities that satisfy the recognition criteria were included in the acquirer's balance sheet at fair value (purchase price allocation). Fair value is defined in IFRS 3 as 'the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction'. Costs related to the acquisition, other than those associated with the issue of debt or equity securities were expensed as incurred.

Notes to financial statements
for the year ended 31 December 2013

1. Revenue and segmental Information

Operating segment information is presented on the basis of the geographical areas as detailed below, which represent the financial basis by which the Group manages its operations. The Board of Directors, which has been recognised as the Chief Operating Decision Maker (CODM), regularly review internal management reports for each of the segments based on the below criteria which management consider to be appropriate in evaluating segment performance relative to other entities that operate in the industry.

	Poland		Morocco		Ireland	
	2013 €	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Total revenue	**–**	330,330	**–**	–	**–**	–
Discontinued operations Revenue	**–**	–	**–**	–	**992,918**	1,037,444
Segment (loss)/profit before income tax	**(8,038,107)**	(21,101)	**(161,278)**	(52,801)	**229,742**	398,524
Exploration and Evaluation Assets	**128,832,927**	98,429,454	**41,839,524**	40,834,921	**–**	–
Impairment of exploration and evaluation assets	**(7,039,679)**	–	**–**	–	**(3,579,880)**	–
Equity accounted investments	**23,728,594**	17,178,666	**–**	–	**–**	–
Non-current assets	**156,315,010**	120,434,518	**47,630,733**	47,096,013	**37,083,316**	57,222,062
Capital expenditure^	**46,098,983**	38,134,498	**2,653,217**	3,551,163	**421,468**	366,143
Segment liabilities	**(11,185,211)**	(14,072,740)	**(248,431)**	(302,446)	**(5,265,551)**	(6,370,598)

Revenue relates to the Group's share of the sale of gas to one customer in the Republic of Ireland from the Seven Heads Gas Field, the provision of seismic acquisition services in Poland and residual royalty income from leasehold interests in the U.S.A.

^ This is the net expenditure incurred by the Group excluding amounts incurred by partners on shared exploration interests. It includes assets acquired through business combinations and equity accounted investments.

Corporate includes head office balances and activities which are not directly attributable to any other segment.

2. Other income

Group	**2013 €**	2012 €
Gain on disposal Amstel Royalty Interest (i)	**–**	5,336,923
Gain on Talisman acquisition (ii)	**4,229,277**	–
Other	**–**	2,108
	4,229,277	5,339,031

(i) Gain on disposal of Amstel royalty interest
In June 2012, San Leon disposed of its 2.5% royalty interest in the Amstel Field (Holland), for cash proceeds of €9.9m realising a gain on disposal of €5.34m.

(ii) Talisman gain (Note 28)
In May 2013, San Leon signed a share purchase agreement with Talisman, whereby San Leon Energy B.V. acquired the entire issued share capital of Talisman's Polish subsidiary, Talisman Energy Polska Sp. z o.o. ("Talisman Polska"). In consideration, San Leon Energy B.V. assumed all assets and obligations of Talisman Polska. As a result of this transaction, San Leon has now regained 100% ownership of the Gdansk W and Braniewo S concessions and increased its interest to 50% on the Szczawno concession.

Romania		Albania		Other Areas		Corporate#		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
€	€	**€**	€	**€**	€	**€**	€	**€**	€
–	–	**–**	–	**3,013**	2,816	**–**	–	**3,013**	333,146
–	–	**–**	–	**–**	–	**–**	–	**992,918**	1,037,444
–	–	**(73,190)**	(15,216)	**(212,732)**	5,160,549	**(3,809,144)**	(4,999,091)	**(12,064,709)**	470,864
9,057,415	–	**6,430,002**	5,050,841	**3,144,506**	2,614,946	**–**	–	**189,304,374**	146,930,162
–	–	**–**	–	**–**	–	**–**	–	**(10,619,559)**	–
–	–	**–**	–	**–**	–	**–**	–	**23,728,594**	17,178,666
9,072,404	–	**6,430,002**	5,050,841	**3,967,883**	3,427,924	**635,607**	250,868	**261,134,955**	233,482,226
9,238,927	–	**1,379,161**	1,470,583	**500,401**	272,821	**372,556**	294,758	**60,664,713**	44,089,966
(941,654)	–	**(38,271)**	(126,253)	**(96,310)**	(95,687)	**(5,759,779)**	(12,001,617)	**(23,535,207)**	(32,969,341)

3. Discontinued operations

In September 2013 the Company signed a Binding Heads of Agreement in respect of the sale of Island Oil & Gas Limited, a subsidiary of the Company to Ardilaun Energy Limited ("Ardilaun"). Under the terms of the Proposed Transaction, Ardilaun agreed to pay San Leon Energy US$3 million, with €738,716 (US$1 million) payable immediately and the balance of US$2 million payable within twelve months of the completion of the Proposed Transaction. Ardilaun has also agreed to issue to San Leon Energy, shares equivalent to 20 per cent of the enlarged issued share capital of Ardilaun post-completion of the Proposed Transaction and prior to its intended listing on an international exchange.

Prior to their reclassification as assets held for sale the exploration and evaluation assets were impaired by €3.35 million. The impairment was determined by management by comparing the carrying value of the net assets to the proposed consideration in the transaction. The fair value of the 20% of the enlarged issue of share capital of Ardilaun was based on a recent market transaction.

Held for sale assets and liabilities

The assets and liabilities that will be disposed of are as follows:

	€
Assets:	
Exploration and evaluation assets	15,302,394
Trade and trade receivables	143,638
Cash and cash equivalents	259,321
	15,705,353
Liabilities:	
Decommissioning provision	5,345,211
Trade and other payables	1,026,810
	6,372,021

Notes to financial statements continued
for the year ended 31 December 2013

3. Discontinued operations continued

Results from discontinued operations – Ardilaun

	2013 €	2012 €
Revenue	**992,918**	1,037,444
Cost of sales	**(632,810)**	(637,418)
Gross profit	**360,108**	400,026
Administration expenses	**(130,366)**	(1,501)
Impairment of assets reclassified as held for sale	**(3,579,880)**	–
Results from operating activities	**(3,350,138)**	398,525
Income tax	**–**	–
Results from operating activities after tax	**(3,350,138)**	398,525

The total loss from discontinued operations is attributable to the owners of the Company.

Cash flows from discontinued operations	2013 €	2012 €
Net cash from operating activities	**413,360**	384,799
Net cash flows for the year	**413,360**	384,799
Earnings per share from discontinued operations		
Basic (loss)/earnings per share	**(0.17) cent**	0.03 cent
Diluted (loss)/earnings per share	**(0.17) cent**	0.03 cent

4. Statutory information

(a) Group

	2013 €	2012 €
The loss for the financial year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**118,006**	135,930
(Gain) on foreign currencies	**(962,590)**	(258,593)
Operating lease rentals		
– Premises	**1,227,622**	1,027,451
– Motor vehicles	**200,174**	170,848
Acquisition costs	**225,000**	–
Pre-Licence expenditure	**225,272**	154,878
Impairment of exploration and evaluation assets	**7,036,679**	–
Impairment of assets reclassified as held for sale	**3,579,880**	–

(b) During the year, the Group (including its overseas subsidiaries) obtained the following services from KPMG, the Group Auditor:

	2013 €	2012 €
Audit services		
Group Auditor – KPMG Ireland	**86,000**	62,000
Group Auditor – KPMG Poland	**–**	12,000
	86,000	74,000
Tax and non-assurance services		
Group Auditor – KPMG Ireland	**5,000**	8,500
Other network firms – KPMG	**14,000**	6,000
	19,000	14,500
Total		
Group Auditor – KPMG Ireland	**91,000**	70,500
Other network firms – KPMG	**14,000**	18,000
	105,000	88,500

Tax and non-assurance services relates to accounting, administration and tax compliance work in Spain and Poland.

(c) Company

	2013 €	2012 €
The loss for the financial year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**81,738**	92,565
(Gain) on foreign currencies	**(208,190)**	(2,515,860)
Operating lease rentals – premises	**662,005**	725,106
Auditor's remuneration – audit services	**25,000**	25,000
Auditor's remuneration – other services	**7,500**	8,500
Pre-licence expenditure	**8,737**	154,878

As permitted by Section 148 (8) of the Companies Act 1963, the Company Statement of Comprehensive Income has not been separately disclosed in these financial statements. A loss of €7,899,786 (2012: €2,447,046) has been recorded in the parent company.

5. Finance expense

	2013 €	2012 €
On loans and overdraft	**294,154**	578,896
Finance arrangement costs	**1,293,086**	86,473
Fair value charge on issue of warrants to non-employee (Note 22)	**–**	1,884,251
	1,587,240	2,549,620

Notes to financial statements continued
for the year ended 31 December 2013

6. Finance income

	2013 **€**	2012 €
Deposit interest received	**39,742**	96,008
Interest on other loan	**35,834**	35,947
Contingent consideration receivable (i)	**–**	1,012,986
Contingent consideration payable written off (ii)	**–**	2,025,169
Fair value movement on issue of warrants to non-employee (Note 22)	**1,675,817**	–
	1,751,393	3,170,110

(i) Contingent consideration receivable
Contingent consideration receivable related to the recognition of additional proceeds receivable on the disposal by San Leon Energy B.V. of its subsidiary, Island Netherlands B.V. in May 2008. The consideration was calculated based on the value of unrecognised tax losses at the date of disposal which were transferred with Island Netherlands B.V., and which was recoverable by San Leon Energy B.V. by way of offset against terminal payments on its loan to Delta Hydrocarbons B.V. in accordance with the provisions of the sale and purchase agreement.

(ii) Contingent consideration payable written off
The contingent consideration payable related to warrants granted to shareholders of Realm Energy International Corporation under the terms of the acquisition completed in November 2011. The contingent consideration was written off in respect of warrants which expired unexercised during the year.

7. Personnel expenses

Number of employees
The average monthly number of employees (including the Directors) during the year was:

	2013 **Number**	2012 Number
Directors	**6**	6
Administration	**30**	15
Technical	**39**	16
Seismic crew	**68**	49
	143	86

Employment costs (including Directors)

	2013 **€**	2012 €
Wages and salaries (excluding Directors)	**6,690,904**	3,979,236
Redundancy costs	**370,910**	–
Directors' salaries and pension	**1,977,762**	2,795,679
Social welfare costs	**864,789**	469,979
Directors fees	**602,954**	542,595
Share based payments (including Directors)	**2,885,534**	3,302,392
	13,392,853	11,089,881

Details of the Directors remuneration is set out in the Directors' Report.

During the year, €6,452,146 (2012: €8,507,922) was capitalised in exploration and evaluation assets in respect of Group employment costs above including €2,135,260 (2012: €2,717,371) in respect of share based payments.

The Group contributes to a defined contribution pension scheme for certain executives and employees. The scheme is administered by trustees and is independent of the Group finances. Total contributions by the Group to the pension scheme included in Directors' remuneration amounted to €271,992 (2012: €194,027).

8. Income tax expense

	2013 €	2012 €
Current tax		
Current year income tax expense	**19,778**	10,197
Deferred tax		
Origination and reversal of temporary differences	**–**	–
Total income tax expense	**19,778**	10,197

The difference between the total tax shown above and the amount calculated by applying the applicable standard rate of Irish corporation tax to the loss before tax is as follows:

	2013 €	2012 €
Profit before income tax	**(17,031,800)**	470,864
Tax on profit at applicable Irish corporation tax rate of 25% (2012: 25%)	**(4,257,950)**	117,716
Effects of:		
Income not taxable	**(1,793,092)**	(2,137,924)
Expenses not deductible for tax purposes	**3,989,052**	345,936
Losses utilised in the year	**(90,027)**	(113,315)
Income tax withheld	**8,153**	8,391
Excess losses carried forward	**2,163,642**	1,789,393
Tax charge for the year	**19,778**	10,197

9. Earnings per share

Basic earnings per share
Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2013 €	2012 €
(Loss)/profit for the year	**(17,051,578)**	460,667

The weighted average number of shares in issue is calculated as follows:

	Number of shares	Number of shares
In issue at start of year	**1,229,432,785**	1,133,171,813
Effect of shares issued related to a business combination (Note 25)	**593,103,895**	5,780,261
Effect of share options and warrants exercised	**–**	756,250
Effect of shares issued on the acquisition of equity accounted investments	**–**	7,118,805
Effect of shares issued in the year	**129,243,421**	–
Effect of outstanding exchangeable shares	**6,339,867**	16,239,679
Weighted average number of ordinary shares in issue (basic)	**1,958,119,968**	1,163,066,808
Basic (loss)/earnings per ordinary share (cent)	**(0.87)**	0.04

Diluted earnings per share
Diluted earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding after adjustment for effects of all dilutive potential ordinary shares as follows:

	2013 €	2012 €
(Loss)/profit for the year (diluted)	**(17,051,578)**	460,667

The diluted weighted average number of shares in issue is calculated as follows:

	Number of shares	Number of shares
Basic weighted average number of shares in issue during the year	**1,958,119,968**	1,163,066,808
Effect of share options and warrants in issue	**–**	18,811,297
	1,958,119,968	1,181,878,105
Diluted (loss)/earnings per ordinary share (cent)	**(0.87)**	0.04

At 31 December 2013, a total of 193,021,006 (2012: 152,599,731) options and potential ordinary shares were excluded from the weighted average number of ordinary shares calculation for diluted earnings per share as their effect would have been anti-dilutive.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

10. Intangible assets

Group	Exploration and evaluation assets €	Royalty interests €	Total €
Cost and net book value			
At 1 January 2012	135,702,074	4,561,202	140,263,276
Additions	29,030,660	–	29,030,660
Currency translation adjustment	658,234	–	658,234
Disposal of Royalty Interest (Note 2)	–	(4,561,202)	(4,561,202)
At 31 December 2012	**165,390,968**	**–**	**165,390,968**
Additions (ii)	29,289,589	–	29,289,589
Acquisition through business combinations (Note 28)	22,860,065	–	22,860,065
Currency translation adjustment	(4,359,446)	–	(4,359,446)
Impairment of exploration assets (i)	(7,036,679)	–	(7,036,679)
Impairment of assets reclassified as held for sale (Note 3)	(3,579,880)	–	(3,579,880)
Proceeds of offshore Morocco farm-out	(1,210,217)	–	(1,210,217)
Transfer to held for sale assets (Note 3)	(15,302,394)	–	(15,302,394)
At 31 December 2013	**186,052,006**	**–**	**186,052,006**

An analysis of intangible assets by geographical area is set out in Note 1.

(i) The Nida exploration concession in Poland was relinquished during the year resulting in a write off of €4.7m of historical accumulated exploration costs. No capital expenditure was incurred on this licence in 2013 and the write off had no cash impact on the results for the year.

In July 2012, San Leon reached an agreement with Celtique Energy Poland Sp. Z o.o. for an option to acquire a 50% working interest in the Laski concession, Permian Basin Poland in exchange for the completion of a seismic work programme. San Leon acquired this seismic data at a cost of €2.3m. However, following a technical review of the data acquired during 2013, San Leon has decided not to exercise its option to complete the acquisition of the 50% interest in the concession. The seismic acquisition costs are therefore written off.

(ii) This is the net amount incurred by San Leon Energy and excludes amounts attributable to joint operating partners of €4,045,909 (2012: €0.72m).

The Directors have considered the carrying value at 31 December 2013 of capitalised costs in respect of its exploration and evaluation assets. These assets have been assessed for impairment indicators and in particular with regard to remaining licence terms, likelihood of licence renewal, likelihood of further expenditures and on-going appraisals for each area, as described in the Operating Review. Based on internal assessments, the Directors have impaired the exploration and evaluation assets by €10.6 million and are satisfied that there are no further impairment indicators. The Directors recognise that future realisation of these oil and gas interests is dependent on future successful exploration and appraisal activities and subsequent production of oil and gas reserves.

Notes to financial statements continued
for the year ended 31 December 2013

11. Equity accounted investments

Group	2013 €	2012 €
Cost and net book value		
At 1 January	**17,178,666**	3,026,864
Acquisitions of interests (i)	**5,080,393**	13,754,775
Exchange rate adjustment	**(20,208)**	(145,077)
Net advances to equity accounted investments	**1,631,488**	571,507
Share of loss of equity accounted investments	**(141,745)**	(29,403)
At 31 December	**23,728,594**	17,178,666

(i) including acquisition costs of Nil (2012: €1,872,778)

In June 2012, San Leon purchased a 75% interest in three Limited Liability Partnerships (LLP), Olesnica LLP, Wielun LLP and South Prabuty LLP from Hutton Energy Plc. The LLP's hold 100% of the following Polish exploration concession areas; Wielun (219,430 acres) and Olesnica (286,642 acres) concessions in the Carboniferous Basin and the South Prabuty concession (118,611 acres) in the Baltic Basin. The purchase consideration of €11.88m ($US 15m) was payable by the issue of new ordinary shares in San Leon.

The registered office for each of the LLP's is c/o WFM Legal Services Limited, 15 Appold Street, London, EC2A 2HB, England and their reporting date is 31 December.

As part of the acquisition of Realm Energy International Corporation in 2011, San Leon acquired a 50% equity interest in each of Joyce Investments Sp. Zoo and Maryani Investments Sp. Zoo, who in turn are the holders in the Ilawa and Wegrow exploration concessions in Poland.

The registered office of both entities is Al. Jerozolimskie 56C, 00-803 Warsaw and their reporting date is 31 December.

In January 2013, San Leon acquired a 90% interest in Energia Zachod Sp. Z o.o. and a 45% interest in each of Energia Torzym Sp. Z o.o Spk. and Energia Cybinka Sp. Z o.o. Spk. as part of the Aurelian Oil and Gas PLC acquisition (Note 26).

The registered office of each of the entities is Ul. Mokotowska, 00-640, Warsaw, Poland and their reporting date is 31 December.

A summary of the financial information of the equity investments is detailed below.

Equity Interest	Olesnica LLP 75%	South Prabuty LLP 75%	Wielun LLP 75%	Energia Torzym Sp. Z o.o Spk 45%	Energia Cybinka Sp. Z o.o Spk 45%	Energia Zachod Sp. Z o.o 90%	Joyce Investments Sp. Z o.o 50%	Maryani Investments Sp. Z o.o 50%	Total
	€	€	€	€	€	€	€	€	€
Non-current assets	746,736	788,151	691,666	10,324,817	3,276,155	99,655,906	646,294	583,627	116,713,352
Current assets	147,768	12,020	129,514	37,495	3,288,659	19,825	8,863	118,847	3,762,991
Current liabilities	(16,878)	(16,214)	(18,505)	(10,539,559)	(3,376,984)	(100,954,750)	(250,279)	(131,894)	(115,305,063)
Net assets/(liabilities)	877,626	783,957	802,675	(177,247)	3,187,830	(1,279,019)	404,878	570,580	5,171,280
Group share of net assets/(liabilities)	658,220	587,968	602,006	(79,761)	1,434,524	(1,151,117)	202,439	285,290	2,539,569
Group carrying value at reporting date	**5,600,115**	**7,129,475**	**2,685,614**	**2,029,848**	**1,351,381**	**1,640,519**	**2,927,680**	**363,962**	**23,728,594**
Loss for the year	**(2,323)**	**(2,236)**	**(2,350)**	**(29,578)**	**(34,928)**	**(45,320)**	**(103,434)**	**(30,060)**	**(250,229)**
Group share of loss for the year	**(1,742)**	**(1,677)**	**(1,763)**	**(13,310)**	**(15,718)**	**(40,788)**	**(51,717)**	**(15,030)**	**(141,745)**

The above interests are accounted for as equity accounted investments as San Leon does not have control over the entities, which are governed under Joint Operating Agreements ("JOA") requiring the approval of both parties to the JOA in respect of all operating decisions.

Based on internal assessments, the Directors are satisfied that there are no impairments, but recognise that the future realisation of the equity accounted investments is dependent on future successful exploration and appraisal activities and subsequent production of oil and gas reserves.

12. Property, plant and equipment

Group	Plant & equipment €	Asset under construction €	Office equipment €	Motor vehicles €	Total €
Cost					
At 1 January 2012	3,387,110	5,895,647	371,428	225,371	9,879,556
Additions	444,560	365,446	384,666	109,856	1,304,528
Currency translation adjustment	310,026	–	22,867	21,242	354,135
At 31 December 2012	4,141,696	6,261,093	778,961	356,469	11,538,219
Additions	1,510,426	438,396	401,845	126,112	2,476,779
Currency translation adjustment	(81,966)	–	(8,323)	(6,890)	(97,179)
At 31 December 2013	5,570,156	6,699,489	1,172,483	475,691	13,917,819
Depreciation					
At 1 January 2012	401,944	–	177,557	21,447	600,948
Currency translation adjustment	28,655	–	10,027	2,023	40,705
Charge for the year	816,033	–	155,738	65,119	1,036,890
At 31 December 2012	1,246,632	–	343,322	88,589	1,678,543
Currency translation adjustment	(26,007)	–	(4,752)	(1,711)	(32,470)
Charge for the year	1,270,749	–	329,392	157,154	1,757,295
At 31 December 2013	2,491,374	–	667,962	244,032	3,403,368
Net book values					
At 31 December 2013	**3,078,782**	**6,699,489**	**504,521**	**231,659**	**10,514,451**
At 31 December 2012	2,895,064	6,261,093	435,639	267,880	9,859,676

Assets under construction relate to the Company's Oil Shale Project in Morocco.

Company	Asset under construction €	Office equipment €	Total €
Cost			
At 1 January 2012	5,899,385	90,485	5,989,870
Additions	365,446	294,307	659,753
At 31 December 2012	6,264,831	384,792	6,649,623
Additions	438,396	52,395	490,791
At 31 December 2013	6,703,227	437,187	7,140,414
Depreciation			
At 1 January 2012	–	41,583	41,583
Charge for the year	–	92,565	92,565
At 31 December 2012	–	134,148	134,148
Charge for the year	–	81,738	81,738
At 31 December 2013	–	215,886	215,886
Net book values			
At 31 December 2013	**6,703,227**	**221,301**	**6,924,528**
At 31 December 2012	6,264,831	250,644	6,515,475

Assets under construction relate to the Company's Oil Shale Project in Morocco.

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for the year ended 31 December 2013

13. Other non-current assets

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Deposits on Spanish oil and gas concession applications (i)	**735,596**	735,596	**–**	–
Deposits on Spanish oil and gas concessions (i)	**87,780**	77,381	**–**	–
Seismic acquisition costs prepayments (ii)	**2,584,445**	1,478,683	**–**	–
	3,407,821	2,291,660	**–**	–

(i) The deposits paid are recoverable on completion of work programmes attached to each of the concessions.

(ii) In July 2012, San Leon reached agreement with Celtique Energy Poland Sp. Z.o.o ("Celtique") to acquire a 50% working interest in two Polish concessions in the Permian Basin in exchange for completion of a work programme whereby San Leon would acquire two 3D seismic survey on the concessions, plus committing to drilling a well in block 243 targeting the Permian Main Dolomite. The concession area to be jointly developed with Celtique was Block 243 (236,480 acres). San Leon completed its seismic programme on Block 243 prior to the year end, and the seismic costs incurred to 31 December 2013 have been recognised as a non-current asset pending the formal establishment of the joint venture entities and completion of regulatory approval on the concession transfers.

14. Foreign currency translation differences – foreign operations

	2013 €	2012 €
Foreign currency translation differences – foreign operations	**(5,282,870)**	2,596,068
	(5,282,870)	2,596,068

Foreign currency translation differences relate to the revaluation of the net asset value of non Euro denominated foreign operations.

15. Financial assets – Company

Company	2013 €	2012 €
Investment in subsidiary undertakings at cost:		
Balance at beginning of year	**121,661,518**	94,813,932
Additions (i)	**–**	24,186,630
Acquisition of Aurelian Oil and Gas Limited (ii)	**62,217,448**	–
Capital contribution in respect of share options	**929,031**	2,660,956
Balance at end of year	**184,807,997**	121,661,518

(i) This addition related to the transfer of San Leon Energy B.V. from Island Oil and Gas Limited to San Leon Energy Plc.

(ii) San Leon acquired the entire issued and to be issued share capital of Aurelian by means of a Court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006, which was effective from 25 January 2013, for €62 million.

At 31 December 2013, the Company had the following principal subsidiaries, all of which are wholly owned through holding all of the issued ordinary shares of the entities with the exception of San Leon Canada which has a noncontrolling minority interest due to the exchangeable shares issued on the Realm acquisition in 2011:

Name	Registered Office
Directly held:	
Island Oil & Gas Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
San Leon Energy B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon (USA) Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
San Leon (Morocco) Limited	PO Box 146, Trident Chambers, Tortola, BVI
San Leon (Netherlands) Limited	PO Box 146, Trident Chambers, Tortola, BVI
San Leon Italy Srl	Piazza Vescovio, 700199 Rome, Italy
San Leon Services Limited	12 Castle Street, St. Helier, Jersey JE2 3RT
Gold Point Energy Corp.	Suite 700, 625 Howe Street, Vancouver, B.C. V6C 2T6
San Leon Energy USA Inc.	600 17th St. Suite 2800 South Tower, Denver, CO 80202, U.S.A.
0921642 B.C. Unlimited Liability Company	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8
Aurelian Oil & Gas Limited	43 Grosvenor Street, Mayfair, London. W1K 3HL
Indirectly held:	
Liesa Energy Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Baltic Oil and Gas Sp. Z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Vabush Energy Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Gora Energy Resources Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Braniewo Energy Sp. Z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Novaseis Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Helland Energy Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
San Leon Services Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
San Leon Czersk Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
San Leon Praszka Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
San Leon Wschowa Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
San Leon Rawicz Sp. z o.o.	ul. Mokotowska 1, 00-640 Warsaw, Poland
Aurelian Oil and Gas Poland Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Cybinka Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Torzym Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Kalisz Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Zachod Holdings Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Karpaty Wschodnie Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Karpaty Wschodnie Sp. z o.o. Spk.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o. Spk.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Bieszczady Sp. z o.o.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Energia Bieszczady Sp. z o.o. Spk.	ul. Mokotowska 1, 00-640, Warsaw, Poland
Island Expro Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
Island Assets Porcupine Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
Island (Seven Heads) Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
Island Rockall JV Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
Island Donegal Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
San Leon Durresi B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Morocco B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Offshore Morocco B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Tarfaya Shale B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
Seisquest B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Adriatiku B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Canada Limited (formerly Realm Energy International Corporation)	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8
Realm Energy Operations Corporation	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8
Realm Energy (BVI) Corporation	Walkers Chambers, 171 Main Street, Road Town, Tortola, BVI
Realm Energy International Coopteratief U.A.	2317 KJ Leiden, Satijnvlinder, The Netherlands
Realm Energy International Holding B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands

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15. Financial assets – Company continued

Name	Registered Office
Realm Energy European Investments B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
Frontera Energy Corporation S.L.	Paseo de la Castellanna, 95, 28046 Madrid, Spain
San Leon Wielun B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Olesnica B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon South Prabuty B.V.	2317 KJ Leiden, Satijnvlinder, The Netherlands
San Leon Energy (UK) Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL
Aurelian Oil and Gas Slovakia S.R.O.	Aurelian Oil & Gas s.r.o., Karadžicova 16, 821 08, Bratislava, Slovakia
Aurelian Petroleum SRL (Romania)	6 Maior Ghe. Sontu Street, 3rd floor, 011448, Bucharest, Romania
AOG Finance Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL
Balkan Explorers (Bulgaria) Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL

The principal activity of all of the above companies is oil and gas exploration with the exception of San Leon Services Limited, San Leon Energy (UK) Limited and San Leon Services Sp. z o.o. which provide employment and administrative services to the Group.

16. Financial assets

Group	Barryroe 4.5% net profit interest (i) €	Quoted shares (ii) €	Total €
Cost			
At 1 January 2012	39,197,977	–	39,197,977
Fair value adjustment	(436,721)	–	(436,721)
At 31 December 2012	38,761,256	–	38,761,256
Additions	–	1,329,349	1,329,349
Fair value adjustment	(1,677,940)	(980,582)	(2,658,522)
At 31 December 2013	**37,083,316**	**348,767**	**37,432,083**
At 31 December 2012	38,761,256	–	38,761,256

Company	Quoted shares (ii) €	Total €
Cost		
At 1 January 2012	–	–
Additions	–	–
Exchange rate adjustment	–	–
At 31 December 2012	–	–
Additions (i)	1,329,349	1,329,349
Fair value movement	(980,582)	(980,582)
At 31 December 2013	**348,767**	**348,767**
At 31 December 2012	–	–

(i) **Barryroe – 4.5% net profit interest**

In December 2011, San Leon Energy assigned its 30% working interest in Standard Exploration Licence 1/11 ("Licence" or "Barryroe") in the Celtic Sea, Ireland to Providence Resources Plc ("Providence") in exchange for a 4.5% Net profit interest ("NPI") in the full field. Under the terms of the arrangement, San Leon Energy will not pay any further appraisal or development costs on the Licence. The Directors have estimated the fair value of this NPI based on a technical evaluation of the licence area and with reference to a third party evaluation report prepared by RPS Energy in February 2011 for Lansdowne Oil & Gas plc, which estimated the net present value of 100% of the licence at USD 1.14 billion on a P50 case and NPV at a 10% discount rate.

The Directors note that Providence announced an update on the Barryroe licence area in April 2013 which stated "Following acquisition and interpretation of the new 2011 3D seismic data together with the subsequent drilling and testing of the 48/24-10z Barryroe appraisal well in 2012, Providence retained the services of Netherland Sewell & Associates Inc. (NSAI) to carry out a third party contingent resource audit (CPR) of the in place hydrocarbon and recoverable resources for the Basal Wealden oil reservoir. NSAI have reported that the Basal Wealden oil reservoir has a 2C in-place gross on-block volume of 761 MMBO with recoverable resources of 266 MMBO and 187 BCF of associated gas, based on a 35% oil recovery factor. A third party (CPR) audit of the overlying Middle Wealden, which was carried out by RPS Energy (RPS) in 2011, reported a 2C in-place gross on-block volume of 287 MMBO with technically recoverable resources of 45 MMBO and 21 BCF of associated gas, based on a 16% oil recovery factor. The total combined audited gross on block 2C recoverable resources at Barryroe therefore amount to 346 MMBOE, comprising 311 MMBO and 208 BCF". The full text of the Providence announcement is set out on our website."

The Directors also note that Providence announced a further update on the Barryroe licence area in July 2013, in which NSAI provided an estimate of the cash flows attributable to Providence's net interest from the Basal Wealden oil reservoir only. It estimated Providence's net present value at USD 2.63 billion in the 2C case (estimated recoverable resources of 266 MMBO and 187 BCF of associated gas) at a 10% discount rate. Further details are available on the Providence Resources website.

Notwithstanding the increased resource estimates set out by the licence operator, no further information has been made available regarding the revised development plan or development costs which are key inputs into the valuation model.

As San Leon are not the operator of this licence, the Group does not have the ability to commission an independent technical evaluation of the licence area. Therefore, the directors believe that the RPS Energy report valuation remains the best basis for the estimate of fair value at year end.

The key information relevant to the fair value of the Barryroe 4.5% net profit interest is as follows:

Valuation technique	Significant unobservable inputs	Inter-relationships between the unobservable inputs and fair value measurement
Third party evaluation report prepared by RPS Energy in 2011 based on a net present value of future cash flows model.	• Oil production of 50MM BBL over the life of the field on a success development of the 2C contingent resources case • Life of field expected to be 21 years • Oil price over the period ranges from US$98.12/bbl (2014) to US$110.50/bbl in period up to 2017 and then increasing by 2% per annum onwards • Capital expenditure required to develop the field of $731mm • Discount rate of 10%	The estimated fair value would increase/(decrease) if: • The capital expenditure required to develop the field (decreased)/increased • The oil price per barrel increased/(decreased) • The resource estimates increased/(decreased) or the life of the field increased/(decreased) • US Dollar exchange rate increased/(decreased)

(ii) **Amedeo Resources plc**

During the year, the Company purchased 71,225,000 ordinary shares in Amedeo Resources plc, a company listed on the Alternative Investment Market in London, for a total consideration of €1,329,349. The market value of the shares at 31 December 2013 was €348,767.

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for the year ended 31 December 2013

17. Inventories

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Spare parts and consumables	**229,978**	590,211	**–**	–
	229,978	590,211	**–**	–

Spare parts includes drilling equipment and consumables utilised by the Group's seismic services company and will be consumed within the 12 months.

18. Trade and other receivables

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Amounts falling due within one year:				
Trade receivables from joint operating partners	**255,531**	202,088	**208,541**	2,750
Amounts owed by group undertakings	**–**	–	**90,948,220**	65,299,246
VAT and other taxes refundable	**5,699,400**	1,693,244	**94,188**	5,340
Other debtors*	**3,584,467**	1,665,155	**3,252,582**	1,101,185
Director loan (Note 31)	**2,178,231**	1,318,858	**1,258,546**	1,318,858
Prepayments and accrued income	**1,498,808**	1,414,525	**286,527**	106,236
	13,216,437	6,293,870	**96,048,604**	67,833,615

*Other Debtors includes cash held in escrow in conjunction with the acquisition of Alpay which was repaid in full to the Company in April 2014 following its decision not to proceed with the Share Purchase Agreement originally announced on 25 September 2013.

19. Other financial assets

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Restricted cash at bank	**6,274,202**	928,452	**4,751,470**	–
	6,274,202	928,452	**4,751,470**	–

Restricted cash at bank includes €4,751,470 in support of the abandonment liabilities in respect of the Seven Heads Gas Fields.

Restricted cash at bank also includes deposit accounts held in support of bank guarantees required under the Moroccan exploration licences, Zag and Tarfaya held by the Group. The increase in the year relates to a new guarantee on the Zag licence following a decision to proceed to the next exploration phase.

20. Cash and cash equivalents

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Cash and cash equivalents	**11,420,968**	1,824,799	**7,789,260**	1,648,896
	11,420,968	1,824,799	**7,789,260**	1,648,896

Included in cash and cash equivalents is €3,966,486 received from the share placing in September 2013 and held in our client account with our broker at 31 December 2013.

21. Trade and other payables

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Current				
Trade payables	**2,649,703**	4,975,802	**321,561**	213,982
Amounts owed to Group undertaking	**–**	–	**27,198,684**	6,599,930
PAYE/PRSI	**312,116**	640,330	**72,159**	97,401
Other creditors	**1,627,775**	132,740	**738,716**	–
Accruals and deferred income	**1,638,617**	1,984,034	**1,228,283**	1,193,660
	6,228,211	7,732,906	**29,559,403**	8,104,973

22. Derivative

	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Non-current				
Derivative	**208,434**	1,884,251	**208,434**	1,884,251
	208,434	1,884,251	**208,434**	1,884,251

In 2012 San Leon issued 11m and 11.125m warrants to a non-employee with an exercise price of £0.11 for a period of 3.9 years and 4.6 years respectively. The warrants replaced instruments previously issued in connection with a convertible loan note issued to the Company. The fair value of the warrants issued has been calculated using the Black Scholes Model.

The key inputs into the valuation model are as follows:

Valuation technique	Significant unobservable inputs	Inter-relationships between the unobservable inputs and fair value measurement
Black-Scholes Model	• Stock asset price of £0.04 • Option strike price of £0.11 • Average maturity of 3.25 years • Risk-free interest rate of 1.25% • Share price volatility of 65%	The estimated fair value would increase/(decrease) if: • The share price increased/(decreased) • Sterling exchange rate increased/(decreased) • The risk free interest rate increased/(decreased)

Notes to financial statements continued
for the year ended 31 December 2013

23. Loans and borrowings

	Group 2013 €	Group 2012 €	**Company 2013 €**	Company 2012 €
Current				
Other loans (i)	**–**	3,251,326	**–**	3,251,326
Delta Hydrocarbons B.V. (ii)	**–**	3,865,967	**–**	–
Amounts due to group undertakings	**–**	–	**–**	3,925,237
	–	7,117,293	**–**	7,176,563

(i) Other loans at 31 December 2012 related to two short term loan facilities of GBP£800,000 and US$3,224,000 both of which were repaid in full in 2013. The GBP£800,000 was a 3 month loan from Solix Ventures Limited with an interest rate of 1% per calendar month and a 3% arrangement fee.

The US$3,224,000 was a 2 month loan facility from YA Global Masters SPV Limited with a 0% interest rate and an arrangement fee of 10%. The lender was also granted 2,432,084 warrants with a three year term and an exercise price of £0.123351. These warrants had a fair value of €84,500 at date of issue of which €21,125 was recognised as a finance cost for the period from date of drawdown of the loan to 31 December 2012 with the balance recognised as a finance cost in 2013.

San Leon have an unsigned Term Sheet for a Fixed Schedule Equity Funding Agreement (“FSEFA”) between the Company and YA Global Master SPV Ltd (“YA Global”) provides the Group with a debt facility of Stg£21m accessible over a 30 month period from August 2014 (“the facility”). This Term Sheet modifies the existing Standby Equity Distribution Agreement with YA Global, which remains in effect.

(ii) The Delta Hydrocarbons BV (“Delta”) loan was acquired as part of the acquisition of Island Oil and Gas Plc (“Island”) and relates to a loan of US$10m advanced by Delta to Island in May 2008. This loan was repaid in full in 2013.

24. Provisions for liabilities

Group	**Decommissioning costs €**	**Other €**	**Total €**
At 1 January 2013	5,345,211	1,560,233	6,905,444
Exchange rate adjustment	–	(163,139)	(163,139)
Transfer to held for sale liabilities	(5,345,211)	–	(5,345,211)
At 31 December 2013 – Current	**–**	**1,397,094**	**1,397,094**

Other provision
Certain Realm Energy International Corporation shareholders exercised rights of dissent under Canadian law not to accept the terms of acquisition in 2011. Under Canadian law, these dissenting shareholders are eligible to receive a cash payment equal to the fair value of their shareholding at acquisition. The provision represents the Directors’ estimate of the cash consideration to be paid to those shareholders taking account of the market price of the Realm shares at acquisition.

25. Share capital – Group and Company

	2013 €	2012 €
Authorised equity 3,100,000,000 (2012: 2,500,000,000) Ordinary shares of €0.05 each	**155,000,000**	125,000,000
	155,000,000	125,000,000

During the year, the authorised share capital of the Company was increased to €155,000,000 divided into 3,100,000,000 ordinary shares at €0.05 each.

Issued, called up and fully paid:

	Number of ordinary shares	Share capital €	Share premium €
At 1 January 2013	1,229,432,785	61,471,639	131,511,450
Issue of shares to non-controlling interest	6,624,899	331,245	580,954
Issue of shares on business combinations	642,529,685	32,126,484	29,002,133
Issue of shares for cash	652,631,579	32,631,579	3,138,175
At 31 December 2013	**2,531,218,948**	**126,560,947**	**164,232,712**

During 2013, the Company issued 6,624,899 €0.05 Ordinary Shares at GBP £0.1175 in relation to conversion notices issued by the holders of exchangeable shares issued under the terms of the acquisition of Realm Energy International Corporation.

During 2013, the Company issued 642,529,685 €0.05 Ordinary Shares at £0.0810 as consideration for the acquisition of Aurelian Oil and Gas Limited.

During 2013, the Company issued 652,631,579 €0.05 Ordinary Shares at £0.0475 as a cash equity placing.

26. Reserves and non-controlling interest

The Statement of Changes in Equity outlines the movement in reserves during the year. Further details of these reserves are set out below:

Currency translation reserve
The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share based payments reserve
The share based payments reserve comprises the fair value of all share options which have been charged over the vesting period, net of the amount relating to share options which have expired, been cancelled and have vested.

Non-controlling interest
The non-controlling interest relates to shares to be issued by San Leon Energy plc to the holders of exchangeable shares issued as part consideration for the acquisition of Realm Energy International Corporation in 2011. The exchangeable shares do not have any voting or dividend rights and are exchangeable on a one for one basis into ordinary shares of San Leon Energy plc.

Available for sale fair value reserve
The available for sale fair value reserves comprises fair value adjustments arising on Group's available for sale financial assets (Note 16).

27. Share based payments

Prior to 31 December 2012, the Group had one share based payment scheme for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous general meeting, executives and senior employees may be granted options to purchase ordinary shares.

Each share option converts into one ordinary share of San Leon Energy Plc on exercise and options do not carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The options vest in tranches subject to the achievement of certain service and non-market performance conditions.

27. Share based payments continued

Market conditions in relation to the achievement of share price trading levels also apply in the case of certain options granted to the Directors, further details of which are set out in the Directors' Report.

During the first quarter of 2013, this scheme was replaced by a more formal Share Option Plan, which will govern all future awards of share options made by San Leon. All employees, and certain Directors and consultants, may from time to time be eligible to receive a discretionary bonus to be awarded in the form of options over San Leon Ordinary shares. Historic options in respect of San Leon shares will continue to be governed by the terms and conditions set out in the historic share based payments scheme.

The Group's equity share options are equity settled share based payments as defined in IFRS 2: Share Based Payments. The total share based payment charge for the year has been calculated based on grant date fair value obtained using an option pricing model with a discount for market conditions applied based on a Monte Carlo simulator analysis where appropriate. The charge for the year is €3,821,953 (2012: €3,457,478).

The movement on outstanding share options and warrants during the year was as follows:

	2013		2012	
	Number of options/ warrants	**Weighted average exercise price**	Number of options/ warrants	Weighted average exercise price
Balance at beginning of the financial year	**184,389,731**	**£0.153**	246,934,545	£0.189
Granted during the year	**59,633,119**	**£0.067**	64,862,084	£0.105
Forfeit during the financial year	**(32,355,229)**	**£0.051**	(34,425,000)	£0.2414
Exercised during the financial year	**–**	**–**	(2,970,000)	£0.075
Expired during the financial year	**(18,646,615)**	**£0.217**	(90,011,898)	£0.1745
Balance at end of the financial year	**193,021,006**	**£0.127**	184,389,731	£0.153
Exercisable at end of the financial year	**114,243,096**	**£0.124**	127,619,731	£0.138

The range of exercise prices of outstanding options/warrants at year end is £0.04-£0.62 (2012: £0.04-£0.37).

The weighted average remaining contractual life for options/warrants outstanding at 31 December 2013 is 3.95 years (2012: 4.01 years).

The weighted average share price when options/warrants were exercised during the year ended 31 December 2012 was £0.094. No options or warrants were exercised in 2013.

The following table lists the fair value of options granted and the inputs to the models used to calculate the grant date fair values of awards granted in 2013 and 2012:

	2013	2012
Weighted average fair value of options granted during year	**£0.042**	£0.059
Weighted average share price of options at date of grant	**£0.077**	£0.110
Dividend yield	**0%**	0%
Expected volatility	**65%**	65%-70%
Risk-free interest rate	**1.1%-1.7%**	0.5%-1.4%
Expected option life	**7-10 years**	7-10 years
Expected early exercise %	**10%**	10%
Model used	**Binomial/Monte Carlo**	Binomial/Monte Carlo

The expected life used in the model is based on the expectation of Management including the probability of meeting market conditions (where applicable) attaching to the option and behavioural considerations and is not necessarily indicative of exercise patterns that may occur. Expected volatility is based on an analysis of the historical volatility of San Leon Energy Plc shares and comparable listed entities. The fair value is measured at the date of grant.

28. Acquisitions

(i) Acquisition of Aurelian Oil & Gas Plc

San Leon Energy Plc acquired the entire issued and to be issued share capital of Aurelian Oil & Gas Limited (formerly Aurelian Oil & Gas PLC) ("Aurelian") by means of a Court-sanctioned scheme of arrangement under Part 26 of the English Companies Act 2006, effective on 25 January 2013, for €62m. Prior to the acquisition, Aurelian was listed on the London Stock Exchange's AIM market, with exploration assets based predominantly in Poland and Romania.

The acquisition of Aurelian brought with it cash and a range of assets, together with an established technical team. The Company has reduced costs through economies of scale.

In the eleven months to 31 December 2013, Aurelian contributed a loss of €2,443,174 to the Group's results. If the acquisition had occurred on 1 January 2013, management estimates that the consolidated loss for the year of the Group would have been €18,762,757. The costs incurred from 1 January to the takeover date include redundancy payments and one off costs associated with the transaction. In determining these amounts, management has assumed that the fair value adjustments, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2013.

Under the terms of the acquisition, each Aurelian shareholder was entitled to receive 1.3 San Leon shares for each Aurelian share they held.

The fair values of the assets and liabilities acquired are set below:

	Acquisition book value €	Fair value adjustment €	Acquisition fair value €
Exploration and evaluation assets	22,860,065	–	22,860,065
Property, plant and equipment	653,659	(400,000)	253,659
Equity accounted investments	5,080,327	–	5,080,327
Current assets excluding cash and cash equivalents	4,268,231	–	4,268,231
Cash and cash equivalents	31,897,712	–	31,897,712
Trade and other payables	(2,032,458)	(262,500)	(2,294,958)
Net assets acquired	62,727,536	(662,500)	62,065,036
Consideration paid:			
Issue of ordinary shares of San Leon Energy			61,128,617
Contingent consideration – replacement share options relating to past service (ii)			936,419
Total consideration (i)			62,065,036

(i) Excludes acquisition costs of €225,000.

(ii) Under the terms of the acquisition, San Leon agreed to grant Aurelian option-holders and Aurelian staff with pending awards replacement share options over San Leon shares, on terms no less favourable than under the historical Aurelian unapproved share option plan. The fair value is calculated using the Black Scholes model and assumptions consistent with those used in calculating the fair value of share based payments as outlined in Note 27. The fair value charge recognised as part of the consideration reflects the extent to which the options awarded reflect past service by the relevant individuals. The portion of the fair value charge for options granted by San Leon that is related to a future service requirement in accordance with the vesting terms of the options will be recognised as a post acquisition charge in accordance with the requirements of IFRS 3.

In accordance with the terms of the acquisition agreement, the Group exchanged equity-settled share-based payment awards held by employees of Aurelian (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards). The details of the acquiree's awards and replacement awards were as follows.

28. Acquisitions continued

	Acquiree's awards	**Replacement awards**
Terms and conditions	Grant date: 25 January 2013 Vesting date: 8 December 2011 to 7 December 2015 Service condition	Vesting date: 8 December 2011 to 7 December 2015 Service condition
Market-based measure at acquisition date	€936,419	€936,419

The value of the replacement awards is €936,419.

	€
Net cash flow arising on acquisition	
Cash acquired with subsidiary	31,897,712

(ii) Acquisition of Talisman Energy Polska Sp. Z.o.o.

In May 2013, San Leon signed a share purchase agreement with Talisman, whereby San Leon Energy B.V. acquired the entire issued share capital of Talisman's Polish subsidiary, Talisman Energy Polska Sp. z o.o. ("Talisman Polska"). In consideration, San Leon Energy B.V. assumed all assets and obligations of Talisman Polska. As a result of this transaction, San Leon has now regained 100% ownership of the Gdansk W and Braniewo S concessions and increased its interest to 50% on the Szczawno concession.

In February 2010, Talisman signed a farm-in agreement to earn a 30% working interest in the three concessions in return for performing certain commitments, including drilling one well in each concession, with the option to increase its interest to 60% by drilling a further well in each concession.

Prior to the completion of the transaction, Talisman had drilled one vertical well in each concession at a combined cost of approximately €27.8 million as detailed on the table below. Talisman had carried San Leon on all expenses related to the drilling of these three wells.

A summary of the book value of assets and liabilities acquired at the date of the transaction and the gain recognised by San Leon on the transaction is set out below:

	Book value at transaction date €	**Asset/ (liability) value recognised €**
Exploration and evaluation assets	27,863,672	–
Inventory of drilling equipment, tubing and casing	2,344,090	–
Cash and cash equivalents	50,612	50,612
Trade and other receivables	603,344	603,344
Trade and other payables	(131,790)	(323,174)
Net assets acquired in Talisman Polska	30,729,928	330,782
Cash received by San Leon		3,898,495
Gain arising on acquisition		**4,229,277**

The Directors have considered the appropriate accounting treatment to be applied to the above transaction and have formed the view that the acquisition of Talisman Polska does not fulfil the criteria to be treated as a business combination in accordance with IFRS 3: Business Combinations. Accordingly no asset value on the acquisition has been recognised in respect of the exploration and evaluation assets or inventory received on the transaction. This is due to the Group's existing policy whereby exploration and evaluation assets and inventory are initially recognised at cost to the Group, with the cost deemed to be nil on this transaction as no consideration is payable by San Leon on the takeover of Talisman Polska.

29. Commitments and contingencies

(a) Operating leases
Commitments under operating leases are as follows:

	Property €	Motor vehicles €	Total €
Payable:			
Within one year	1,087,496	185,815	1,273,311
Between one and five years	2,976,987	30,594	3,007,581
Over five years	498,000	–	498,000
	4,562,483	**216,409**	**4,778,892**

(b) Exploration, evaluation and development activities
The Group has commitments of approximately €14m in the year ended 31 December 2014 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

(c) Avobone arbitration
San Leon announced on 11 April 2013 that it had received notice from the Secretariat of the International Court of Arbitration of the International Chamber of Commerce ('ICC') confirming the submission of a Request for Arbitration ('Request') submitted by Avobone N.V. and Avobone Poland B.V. (together, 'Avobone') in relation to the purchase by Aurelian Oil & Gas, San Leon's subsidiary, of Avobone's 10% shares and loans in Energia Zachód Sp. z o.o. – the titleholder of the Siekierki asset. San Leon has reviewed the Request with counsel and believes that the claims are substantially without merit. San Leon is contesting these claims robustly. The Company believes that the claims will not have any impact on its on-going operations.

30. Deferred tax

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 €	2012 €	**2013 €**	2012 €	**2013 €**	2012 €
Exploration and evaluation assets	**–**	–	**(9,329,447)**	(9,329,447)	**(9,329,447)**	(9,329,447)
Financial assets – Net Profit Interest	**–**	–	**(11,222,410)**	(11,222,410)	**(11,222,410)**	(11,222,410)
Tax losses recognised	**11,222,410**	11,222,410	**–**	–	**11,222,410**	11,222,410
	11,222,410	11,222,410	**(20,551,857)**	(20,551,857)	**(9,329,447)**	(9,329,447)

Unrecognised deferred tax asset

	2013 €	2012 €
Tax losses	**13,872,204**	7,235,858
Capitalised expenditure	**46,198,612**	15,454,008
	60,070,816	22,689,866

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group can utilise these losses. The losses have no expiry date with the exception of approximately €1,295,000 (2012: €842,000) of tax losses in Canada which expire from years 2028 to 2033.

31. Related party transactions

Outpost Properties Limited ("Outpost")
San Leon Energy Plc ("San Leon") and Outpost have common directors in Oisin Fanning and Paul Sullivan. San Leon entered into a lease agreement for a premises owned by Outpost with effect from 1 September 2010 for a ten year period at an annual rent of €250,000. The rent expense recognised in the income statement under this lease agreement in 2013 was €187,500 for the period 1 January to 30 September. The lease with Outpost was assigned to a non-connected party following the disposal of the premises by Outpost in October with an effective transfer date of 1 October 2013.

Mr. Oisin Fanning
San Leon holds an option to acquire a property at market value from Mr. Fanning. The option has a remaining life of thirteen years and the option fee of £300,000 is refundable when the Company either exercises or terminates the option. Mr. Fanning was paid £82,623 rent for the use of this property by the Company.

The property is available for use by all staff and consultants requiring overnight accommodation while conducting business on behalf of the Company.

At 1 January 2013, Mr. Fanning owed San Leon €1,318,858 in respect of a short term loan advanced to him by San Leon Energy plc at an interest rate of 2% per annum. During the year, the Company made further loans to Mr. Fanning of €838,883 such that the maximum amount outstanding on the loan during the year was €2,145,421, representing 0.8% of the Company's net assets. During the year Mr. Fanning repaid €934,982 to the Company. The interest on the loan for 2013 was €35,790 and the balance outstanding on the loan at 31 December 2013 was €1,258,549 (including the accrued interest of €35,790).

In addition to the loan above, in August 2013, Mr. Fanning received an advance of salary for the period 1 August 2013 to 31 July 2014 in the amount of €1,158,079. The advance was made by San Leon Services Limited, a subsidiary of the Company. At 31 December 2013, the prepaid element of Mr. Fanning's salary included in Directors loans amounted to €919,682.

At 31 December 2013, the total amount due to the group from Mr. Fanning was €2,178,231 of which €1,258,549 was due to the Company.

The loan is being repaid back to the Company at £75,000 per month.

Key management
Key management is deemed to comprise the Board of Directors and the Chief Financial Officer. The total remuneration paid to key management was as follows:

	2013 €	2012 €
Salary and emoluments	**2,150,921**	2,796,441
Fees	**602,954**	542,575
Pension	**110,017**	206,627
Share based payment expense	**1,669,476**	2,638,530
	4,533,368	6,184,173

Company
Transactions with subsidiaries
Transactions between San Leon Energy Plc ("the Company") and its subsidiaries, which are related parties, have been eliminated on consolidation. At 31 December 2013, the Company is owed €90,948,220 (2012: €65,299,246) by its subsidiaries in respect of funds advanced to and expenses discharged by the Company on their behalf. The Company owes €27,198,684 (2012: €10.525,167) to subsidiaries in funds received and services provided by Group companies.

32. Financial instruments and financial risk management

The Group and Company's principal financial instruments comprise trade receivables, available for sale financial assets, other financial assets, trade payables and cash and cash equivalents.

The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The Group and Company's financial assets and liabilities are classified as:
- Loans and receivables: all trade and other receivables, amounts due to and from subsidiaries and cash and cash equivalents as disclosed in the statement of financial position;
- Available for sale: financial assets – net profit interest and quoted investments as described in Note 16; and
- Liabilities at amortised cost: all trade and other payables and loans and borrowings as disclosed in the statement of financial position.

The main risks arising from the Group and Company's financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and capital management. Management reviews and agrees policies for managing each of these risks in a non-speculative manner which are summarised below.

(a) Currency risk

The Group is exposed to foreign currency risk on transactions denominated in a currency, other than the relevant functional currency of the entities of the Group which consist of Euro, Sterling, US Dollars, Polish Zloty, Moroccan Dirhams, Romanian Lei and Canadian Dollars. The Euro is the presentation currency for financial reporting and budgeting. The Group manages its exposure by matching receipts and payments in the same currency and monitoring the residual net cash position. During the years ended 31 December 2013 and 2012, the Group did not utilise either forward currency contracts or other derivatives to manage foreign currency risk.

At 31 December 2013, the Group's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €	Denominated in US$ €	Denominated in PLN €	Denominated in CAD €	Denominated in LEI €
Trade and other receivables (Note 18)	(72,837)	2,511,816	(593,071)	6,709	4,169,638
Trade and other payables (Note 21)	(645,533)	(1,007,863)	(1,363,798)	(107,819)	(941,653)
Provisions (Note 24)	–	–	–	(1,397,095)	–
Loans and borrowings (payable within one year) (Note 23)	–	–	–	–	–
Cash and cash equivalents (Note 20)	6,922,197	952,088	504,239	24,701	38,246
Other financial assets (Note 19)	–	1,522,732	–	–	–
Deferred Tax	–	–	(9,329,477)	–	–
Total 2013	**6,203,827**	**3,978,773**	**(10,782,107)**	**(1,473,504)**	**3,266,231**
Total 2012	96,415	(5,672,397)	1,265,136	(1,456,627)	–

32. Financial instruments and financial risk management continued

At 31 December 2013, the Company's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €	Denominated in US$ €	Denominated in PLN €	Denominated in CAD €
Trade and other receivables (Note 18)	706,657	2,511,816	42,121,305	–
Trade and other payables (Note 21)	(21,000,097)	(994,528)	(110,591)	(3,615,543)
Loans and borrowings (payable within one year) (Note 23)	–	–	–	–
Cash and cash equivalents (Note 20)	274,277	508,268	360	175
Financial assets	3,966,486	–	–	–
Total 2013	**(16,052,677)**	**2,025,556**	**42,011,074**	**(3,615,368)**
Total 2012	(204,946)	(2,159,486)	34,682,517	(663)

The euro exchange rates used in the preparation of the financial statements were as follows:

	2013		2012	
	Average rate	**Closing rate**	Average rate	Closing rate
Sterling	**0.8493**	**0.8337**	0.8109	0.8161
US Dollars	**1.3281**	**1.3791**	1.2848	1.3194
Polish Zloty	**4.1975**	**4.1543**	4.1847	4.0740
Canadian Dollars	**1.3684**	**1.4671**	1.2842	1.3137
Romanian Lei	**4.4195**	**4.4710**	4.4588	4.4445

Sensitivity analysis
If the Euro increased by 1% in value against the above currencies, the Group's profit for the year would increase and equity at year end would decrease by approximately €24,000. A 1% decrease in the Euro value would have an equal but opposite effect.

If the Euro increased by 1% in value against the above currencies, the Company's loss for the year would increase and equity at year end would decrease by approximately €254,000. A 1% decrease in the Euro value would have an equal but opposite effect.

(b) Credit risk
Credit risk refers to the risk that any counter-party will default on its contractual obligations resulting in financial loss to the Group.

The Group and Company's financial assets (excluding Financial Assets – Net Profit Interest, see (f) Fair values) comprise trade and other receivables and cash and cash equivalents. Due to the nature of trade and other receivables, there is no significant exposure to credit risk on these assets. The credit risk on amounts receivable from joint operating partners is managed by agreeing budgets in advance with partners and where appropriate collecting any material share of exploration costs from partners in advance of completing the exploration work programme.

The credit risk on cash and cash equivalents is considered limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Group also holds limited funds for day to day operational purposes with Irish banking institutions which are subject to guarantee by the Irish government. The Group and Company's maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents in its consolidated and company statement of financial position. The Group does not expect any counterparty to fail to meet its obligations. None of the Group and Company's financial assets are past due and no impairments have been recorded.

Details of cash deposits, which are all for terms of one month or less are as follows:

	2013 €	2012 €
Euro	**2,668,313**	322,886
Sterling	**6,697,097**	630,900
US Dollar	**952,089**	180,557
Polish Zloty	**504,239**	41,302
Canadian Dollar	**24,701**	82,316
Moroccan dirhams	**536,114**	566,601
Romanian Lei	**38,246**	–
Other	**169**	237
	11,420,968	1,824,799

Cash deposits held by the Company total €7,789,260 at the reporting date (2012: €1,648,896), comprised of €2,503,580 in Euro, €4,240,591 in Sterling, €508,440 in US Dollars, €536,114 in Moroccan Dirhams and other €535.

(c) Liquidity risk management
Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are produced to identify the liquidity requirements of the Group. Surplus cash is placed on deposit in accordance with limits and counterparties agreed by the Board, with the objective to maximise return on funds whilst ensuring that the short term cash requirements of the Group are maintained.

All cash and cash equivalents are due within three months. All trade and other receivables and trade and other payables are due within three months.

The Group's financial liabilities at 31 December 2013 are as follows:

Group	Less than 1 year €	One to two years €	Two to five years €	Total €
Trade and other payables and Derivative (Note 21 & Note 22)	6,436,645	–	–	6,436,645
Loans and borrowings (Note 23)	–	–	–	–
Delta Hydrocarbons BV loan (Note 23)	–	–	–	–
	6,436,645	–	–	6,436,645

Company	Less than 1 year €	One to two years €	Two to five years €	Total €
Trade and other payables and Derivative (Note 21 & Note 22)	29,767,837	–	–	29,767,837
Loans and borrowings (Note 23)	–	–	–	–
Delta Hydrocarbons BV loan (Note 23)	–	–	–	–
	29,767,837	–	–	29,767,837

The contractual cash flows are equal to the carrying value of the financial liabilities included in the tables above.

(d) Interest rate risk
The Group and Company's exposure to the risk of changes in market interest rates relates primarily to the Group and Company's holdings of cash and short term deposits.

It is the Group and Company's policy to place surplus funds on short term deposit in order to maximise interest earned whilst maintaining adequate short term liquidity for operational requirements.

Notes to financial statements continued
for the year ended 31 December 2013

32. Financial instruments and financial risk management continued

(e) Capital risk management
The Group and Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group and Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the consolidated statement of changes in equity together with long term borrowings.

Shareholders have granted authority to the Directors to disapply statutory pre-emption rights in respect of a rights issue or any issue of equity securities for cash up to an aggregate amount of ten per cent of the nominal value of the Company's issued share capital. The power will expire on the earlier of 28 December 2014 or the date of the annual general meeting of the Company in 2014.

San Leon has entered into a Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV Ltd ("Yorkville"), an investment fund managed by Yorkville Advisors LLC, for a GBP15 million equity line of credit. Under the terms of the agreement San Leon may draw down funds from time to time, at its sole discretion, in exchange for the issue of new shares in the capital of the Company. The term of this facility has been extended to 31 October 2014. The shares issued by the Company will be priced at a 6% discount to the prevailing market price at the time of the draw down. The Company may also set a minimum price for each draw down to ensure the Company receives an acceptable price. No draw down of funds has occurred to date on this facility.

An unsigned Term Sheet for a Fixed Schedule Equity Funding Agreement between the Company and Yorkville provides the Group with a debt facility of Stg£21m accessible over a 30 month period from August 2014. This Term Sheet modifies the existing Standby Equity Distribution Agreement with Yorkville, which remains in effect.

(f) Financial assets and liabilities by category
As set out in the statement of accounting policies, Financial assets and liabilities recognised at fair value are analysed between those based on quoted prices in the active markets for identical assets or liabilities (Level 1, those involving inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly (Level 2); and those involving inputs for the assets or liabilities that are not based on observable market data (Level 3).

The following table sets out the carrying value of all the financial assets and liabilities held at 31 December 2013:

Group	Carrying Amount 31 December 2013 €	Level 1 31 December 2013 €	Level 2 31 December 2013 €	Level 3 31 December 2013 €
Financial assets				
Held for sale (Note 3)	15,705,375	15,705,353	–	–
Barryroe NPI (Note 16)	37,083,316	–	–	37,083,316
Quoted Shares (Note 16)	348,767	348,767	–	–
Directors loan (Note 18)	2,178,231	2,275,224	–	–
Trade receivables* (Note 18)	255,531	–	–	–
Other financial asset* (Note 19)	6,274,202	–	–	–
Cash and Cash equivalents* (Note 20)	11,420,968	–	–	–
Other Debtors* (Note 18)	3,584,467	–	–	–
Financial liabilities				
Derivative (Note 22)	(208,434)	–	–	(208,434)
Held for sale liability	(6,372,021)	(6,372,021)	–	–
Trade payables* (Note 21)	(2,649,703)	–	–	–
Other creditors (Note 21)	(1,627,775)	–	–	–
At 31 December 2013	**65,992,924**	**11,957,323**	**–**	**36,874,882**

Company	Carrying Amount 31 December 2013 €	Level 1 31 December 2013 €	Level 2 31 December 2013 €	Level 3 31 December 2013 €
Financial assets				
Quoted Shares (Note 16)	348,767	348,767	–	–
Directors loan (Note 18)	1,258,546	1,334,058	–	–
Trade receivables* (Note 18)	208,514	–	–	–
Other financial asset* (Note 19)	4,751,470	–	–	–
Cash and Cash equivalents* (Note 20)	7,789,260	–	–	–
Other Debtors* (Note 18)	3,252,582	–	–	–
Financial liabilities				
Derivative (Note 22)	(208,434)	–	–	(208,434)
Trade payables* (Note 21)	(2,649,703)	–	–	–
At 31 December 2013	**14,751,002**	**1,682,825**	**–**	**(208,434)**

* The Group has not disclosed the fair value of financial instruments such as short term receivables and payables, as it is considered that their carrying amounts are a reasonable approximation of their fair values.

^ For detailed disclosures on the valuation techniques of level 3 disclosures see the note referenced above.

During the period ended 31 December 2013, there were no significant changes in the business or economic circumstances that affect the fair value of financial assets and liabilities, no reclassifications and no transfers between levels of the fair value hierarchy used in measuring the fair value of the financial instruments.

(g) Hedging
At 31 December 2013 and 31 December 2012, the Group and Company had no outstanding contracts designated as hedges.

33. Subsequent events

There have been no events subsequent to the year end which require disclosure in the financial statements.

34. Approval of financial statements

The Financial Statements were approved by the Board on 25 June 2014.

Corporate information

Directors	Oisin Fanning (Chairman) Paul Sullivan (Managing Director) Jeremy Boak (Non-Executive Director) Raymond King (Non-Executive Director) Daniel Martin (Non-Executive Director) Piotr Rozwadowski (Non-Executive Director)	
Registered Office	First Floor Wilton Park House Wilton Place Dublin 2	
Secretary	Raymond King FCIS	
Auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2	
Principal Bankers	Allied Irish Bank 40/41 Westmoreland Street Dublin 2	Ulster Bank Capital Markets Ulster Bank Group Centre Georges Quay Dublin 2
Solicitors	Whitney Moore Solicitors Wilton Park House, Wilton Place Dublin 2	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Nomad	Westhouse Securities One Angel Court London EC2R 7HJ	
Joint Stockbrokers	Macquarie Capital Advisors Ropemaker Place 28 Ropemaker Street London EC2Y 9HD	Fox Davies Capital CityPoint 1 Tudor Street London EC4Y 0AH
	finnCap 60 New Broad Street London EC2M 1JJ	
Registrars	Computershare Investor Services (Ireland) Ltd Heron House Corrig Road Sandyford Industrial Estate Dublin 18	
Public Relations	Vigo Communications One Berkeley Street London W1J 8DJ	
Registered Number	237825	

2C	Best estimate of Contingent Resources
2D	Two dimensional seismic
3D	Three dimensional seismic
ADR	American depositary receipt
AIM	The London Stock Exchange's AIM market
AIM Rules	AIM Rules for Companies
Aurelian	Aurelian Oil & Gas Limited (formerly Aurelian Oil & Gas PLC)
BCF or bcf	Billion cubic feet
B.V.	Dutch private limited company
BVI	British Virgin Islands
Cairn	Cairn Energy PLC
Celtique	Celtique Energy Poland Sp. z o.o.
CPR	Competent Person's Report
Delta	Delta Hydrocarbons B.V.
DFIT	Diagnostic fracture injection test
E&P	Exploration and Production
Enefit	Enefit Outotec Technology OÜ
Genel	Genel Energy PLC
GmbH	German company with limited liability
Gold Point Energy	Gold Point Energy Corp.
Group	San Leon and its subsidiaries
Island Oil & Gas	Island Oil & Gas PLC
IVE	In-situ vapour extraction
JV	Joint Venture
km	Kilometres
LLP	Limited liability partnership
Longreach	Longreach Oil & Gas Ventures Ltd
Ltd or limited	A private limited company incorporated under the laws of England and Wales, Scotland, certain Commonwealth countries and Ireland
m	Metres
MD	Measured depth
MMBOE or mmboe	Million barrels of oil equivalent
mmbbl	Million barrels
Nomad	A company that has been approved as a nominated advisor for AIM by the London Stock Exchange
NovaSeis	NovaSeis Sp. z o.o.
NPV	Net present value

OMV	OMV (Ireland) Killala Exploration GmbH
OTCQX	OTCQX International is the premier market tier for non-US companies that trade over-the-counter and are listed on a qualified foreign stock exchange
PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A.
PLC or S.A.	A publicly held company
Premier Oil	Premier Oil PLC
Prospectiuni	Prospectiuni S.A.
Providence	Providence Resources PLC
PSE Kinsale Energy	PSE Kinsale Energy Limited
Realm or Realm Energy	Realm Energy International Corporation
San Leon or the Company	San Leon Energy PLC
SEDA	Standby Equity Distribution Agreement
Serica	Serica Energy PLC
Sp. z o.o.	Polish limited liability company
Sp. z o.o. sp.k	Polish LLP
SPV	Special purpose vehicle
Sunningdale Oils	Sunningdale Oils (Ireland) Limited
Super Nova	Super Nova Resources Inc.
Talisman	Talisman Energy Inc.
TCF or tcf	Trillion cubic feet
United Oilfield Services	United Oilfield Services Sp. z o.o.
Valhalla Oil & Gas	Valhalla Oil & Gas AS
Yorkville	YA Global Master SPV Ltd

Reserves

Proved	Reserves which have a 'reasonable certainty' of being recovered
Probable	Probable reserves are volumes that are defined as 'less likely to be recovered than proved, but more certain to be recovered than possible reserves'
Possible	Possible reserves are reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves
Gross	Reserves before deduction of royalty
Net	Reserves after royalty plus royalty interest
1P	Proved
2P	Proved plus probable
3P	Proved plus probable plus possible

Conversion

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To convert from	To	Multiply by
mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

Notes

Notes

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