SAN LEON ENERGY

SIGNIFICANT PROGRESS. SOLID ASSETS.

San Leon Energy plc
Annual Report and Accounts 2016

ON THE COVER

Urea produced at the Notore petrochemical plant fed by OML 18 gas in Nigeria.

Urea is a chemical with multiple uses in the chemical industry and agriculture, including fertilisers.

This plant is part of the industrial and distribution infrastructure that enriches San Leon's interest in its major asset the world-class OML 18 block in Nigeria.

SIGNIFICANT PROGRESS. SOLID ASSETS.

San Leon Energy plc
Annual Report and Accounts 2016


ERO
EXPLORATION

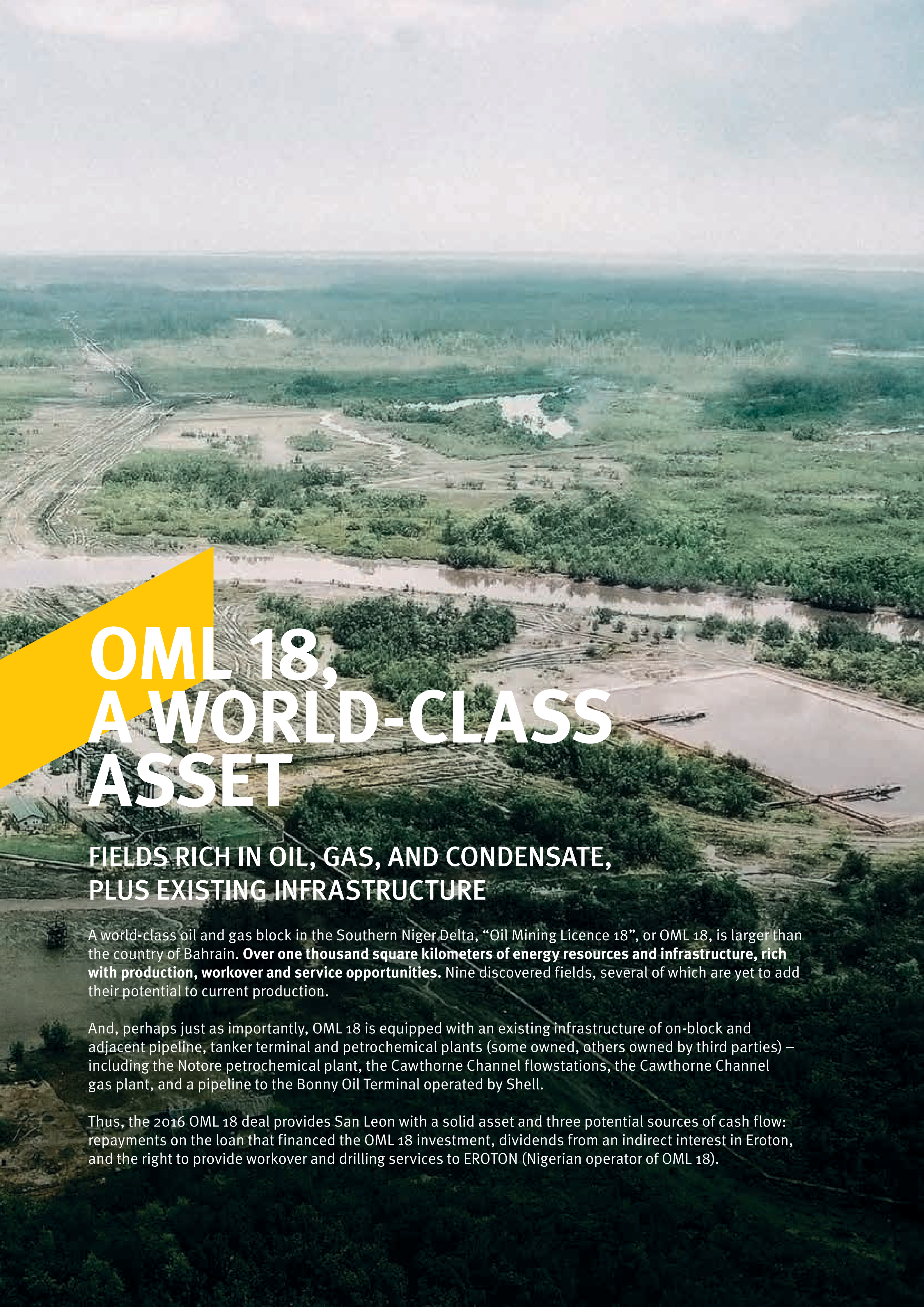
OML 18, YEAR 1

Last year San Leon Energy plc (SLE, San Leon the Group and/or the Company) announced and completed a game-changing deal: The acquisition of an indirect interest in OML 18, a world-class oil and gas block onshore Nigeria, including a right to provide services to EROTON, the independent Nigerian operator of OML 18.

In 2016, San Leon Energy delivered what it had promised in last year's Annual Report: The OML 18 deal was approved and completed, moving San Leon into production.

Completing the OML 18 deal at a very difficult time for the oil industry showed the confidence of shareholders and San Leon's ability to capitalise on the lower oil price at that moment.

Thus, 2016 was Year One of OML 18, the year when San Leon became a company partnering in exciting production assets, focused on Nigeria.



OML 18, A WORLD-CLASS ASSET

FIELDS RICH IN OIL, GAS, AND CONDENSATE, PLUS EXISTING INFRASTRUCTURE

A world-class oil and gas block in the Southern Niger Delta, "Oil Mining Licence 18", or OML 18, is larger than the country of Bahrain. **Over one thousand square kilometers of energy resources and infrastructure, rich with production, workover and service opportunities.** Nine discovered fields, several of which are yet to add their potential to current production.

And, perhaps just as importantly, OML 18 is equipped with an existing infrastructure of on-block and adjacent pipeline, tanker terminal and petrochemical plants (some owned, others owned by third parties) – including the Notore petrochemical plant, the Cawthorne Channel flowstations, the Cawthorne Channel gas plant, and a pipeline to the Bonny Oil Terminal operated by Shell.

Thus, the 2016 OML 18 deal provides San Leon with a solid asset and three potential sources of cash flow: repayments on the loan that financed the OML 18 investment, dividends from an indirect interest in Eroton, and the right to provide workover and drilling services to EROTON (Nigerian operator of OML 18).

OML 18, A FIRST STEP IN THE NIGER DELTA

With the 2016 OML 18 deal, exciting opportunities and perspectives opened up for San Leon in Nigeria, starting with production, workover and drilling service opportunities to EROTON, OML 18's operator.

With its OML 18 indirect interest, service opportunities, Nigerian partner EROTON and new Non-Executive Chairman, Mr Mutiu Sunmonu (former head of Shell in Nigeria), **San Leon is well positioned for growth in the oil-rich Niger Delta area**.

A YEAR OF TRANSFORMATION

BECOMING A PRODUCTION-FOCUSSED COMPANY

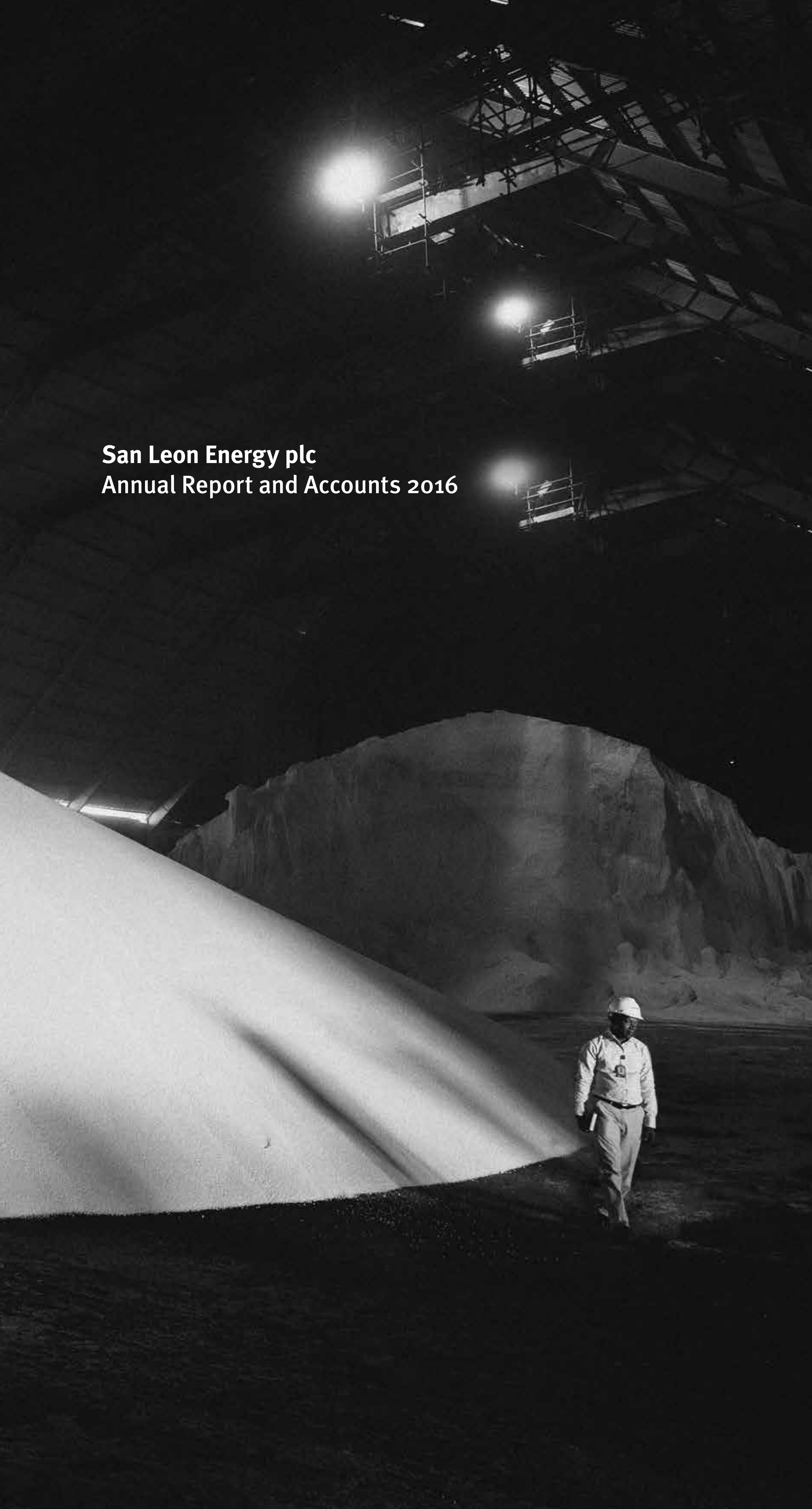
The OML 18 deal has substantially transformed San Leon: The Company has moved towards production and reducing risk with less emphasis on exploration.

These dynamics also pushed San Leon to **focus and streamline** its assets and human resources. In 2016, San Leon reduced its staff numbers, favoured assets with production potential, rationalised its portfolio with the sale of its legacy Polish assets in Rawicz and Sierkierki, and relinquished various other assets.

THE FUTURE IS SOLID

Solid assets, significant expected cashflows, service opportunities to EROTON, more rationalisation ahead, a strong position for growth in the oil-rich Niger Delta: At the end of 2016, the future is brighter than it has ever been for San Leon’s shareholders.

SIGNIFICANT PROGRESS. SOLID ASSETS.



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HIGHLIGHTS / CONTENTS

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San Leon is a progressive oil and gas company which develops conventional and unconventional assets in Africa and Europe, from exploration to monetisation.

For San Leon, 2016 was Year One in its new role, focusing on maximising the potential of its interest in the world-class Nigerian OML 18 oil and gas block and its infrastructure.

OVERVIEW

STRATEGIC REPORT

We are committed to securing a solid asset base and cashflow for our shareholders.

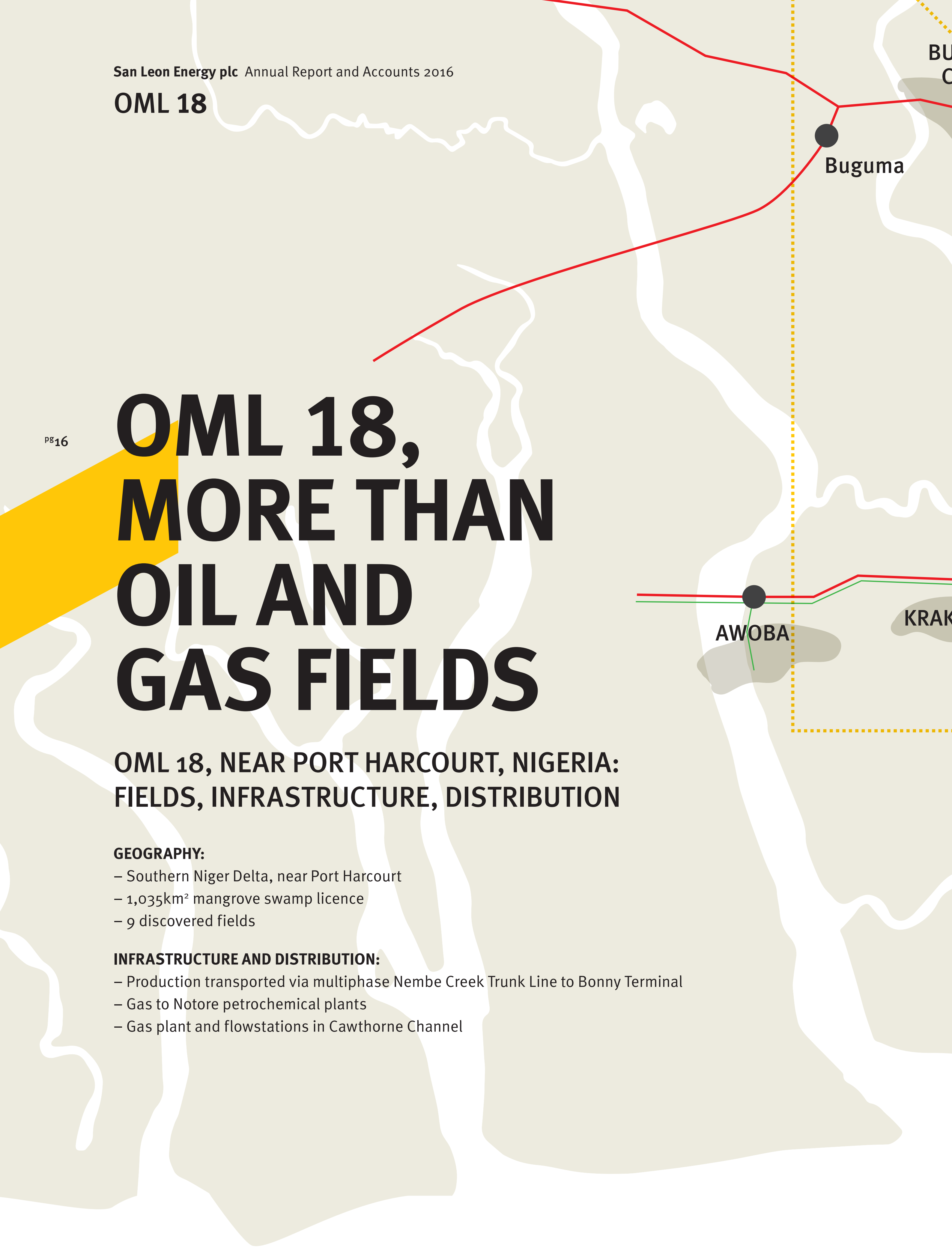
In this section we set out our strategy, the progress we have made and our current operational focus.

GOVERNANCE

We work to standards of governance and responsibility.

FINANCIAL STATEMENTS

Profit for the year was €5.7 million. Net assets increased by €216.9 million as the portfolio was restructured.



OML 18, MORE THAN OIL AND GAS FIELDS

OML 18, NEAR PORT HARCOURT, NIGERIA: FIELDS, INFRASTRUCTURE, DISTRIBUTION

GEOGRAPHY:
- Southern Niger Delta, near Port Harcourt
- 1,035km² mangrove swamp licence
- 9 discovered fields

INFRASTRUCTURE AND DISTRIBUTION:
- Production transported via multiphase Nembe Creek Trunk Line to Bonny Terminal
- Gas to Notore petrochemical plants
- Gas plant and flowstations in Cawthorne Channel

LEGEND

- Flow Station
- Gas Pipelines (Approximate Location)
- Oil Pipelines (Approximate Location)
- OML 18
- Field

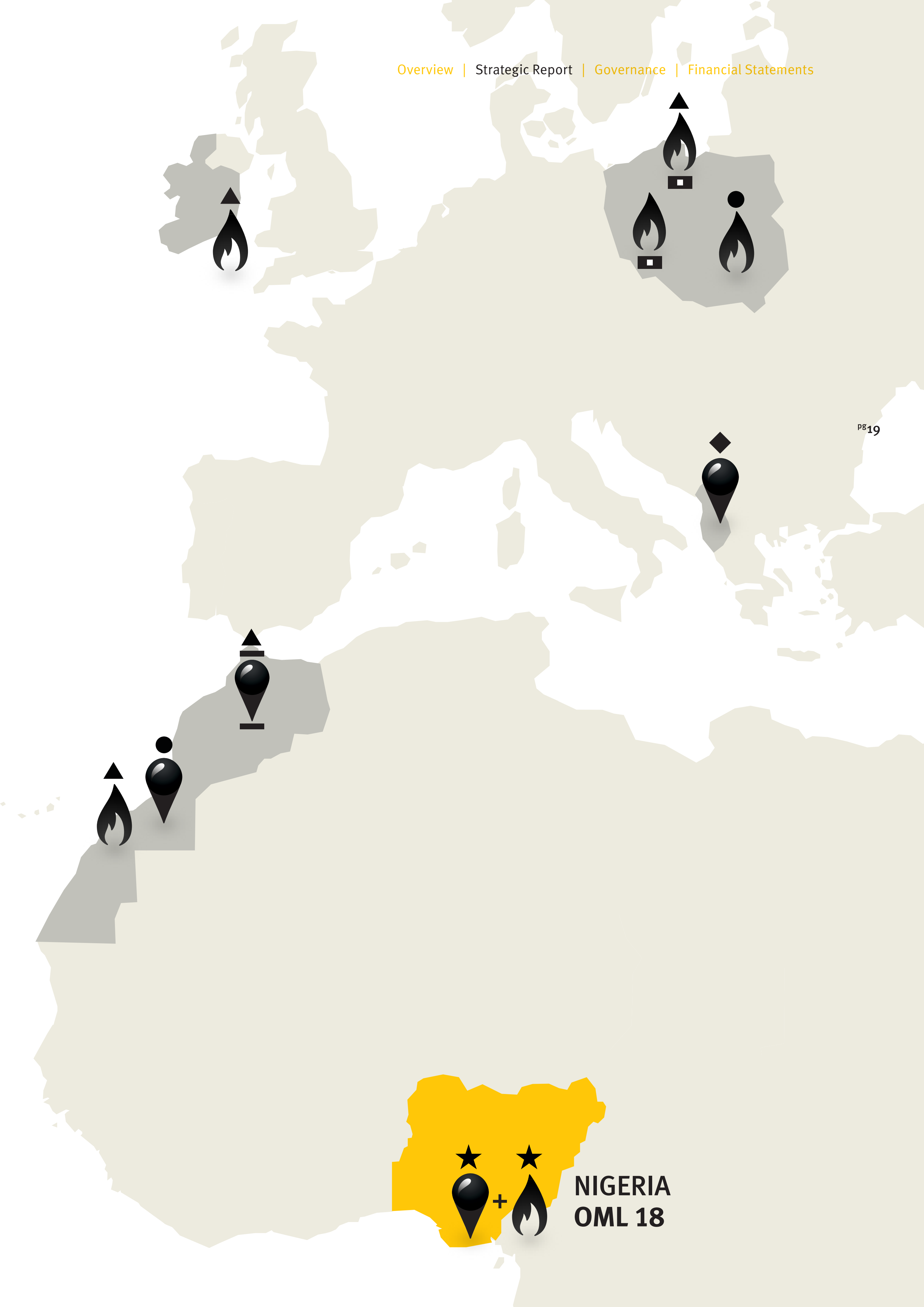
SOME OF OUR

ASSETS & OPERATIONS

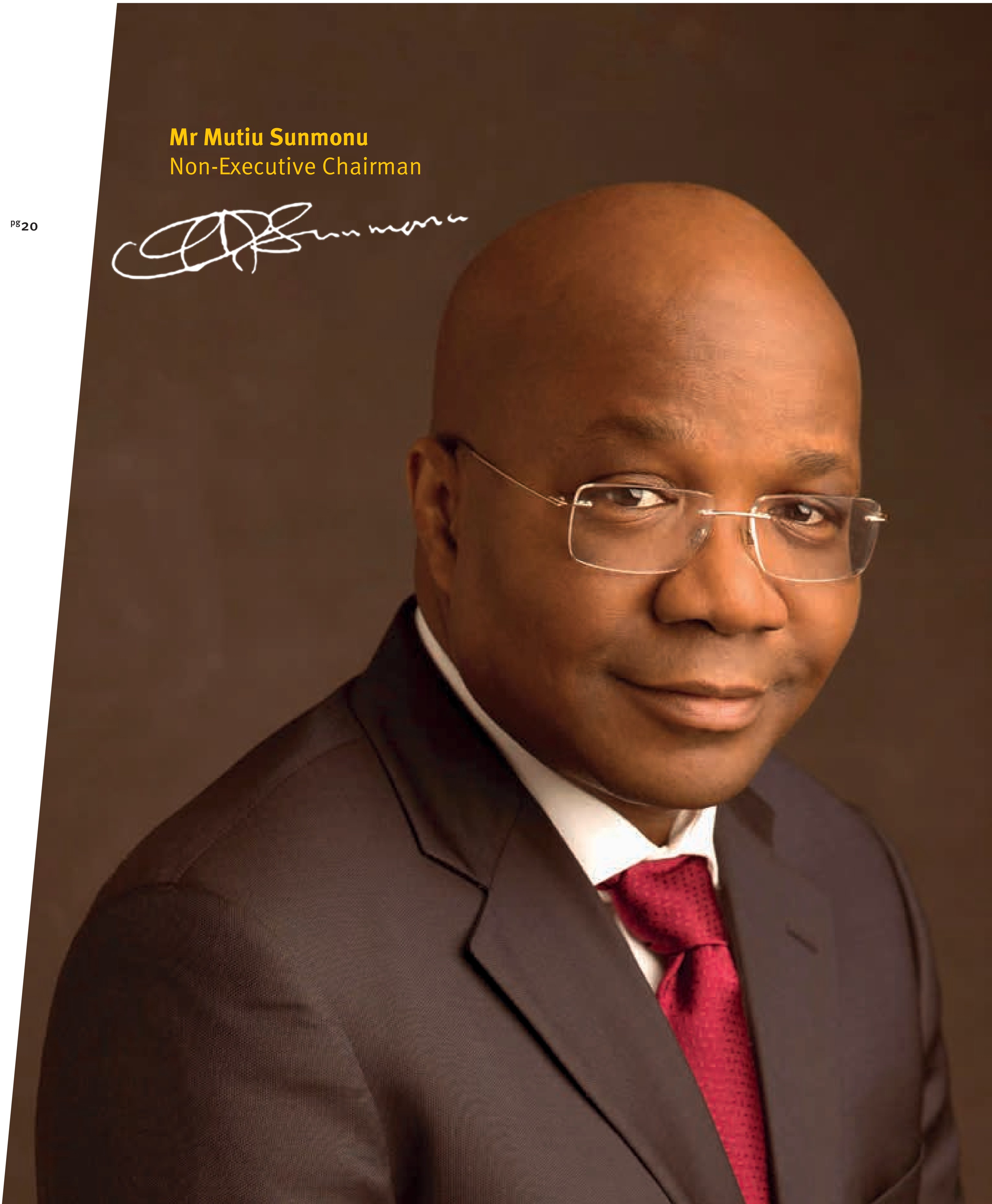
From new frontiers to production, from conventional to unconventional, onshore and offshore, our assets cover the whole value chain and share two characteristics: scale, and early-mover advantage.

OIL GAS TIGHT OIL TIGHT GAS OIL SHALE

◆ LONG-TERM PROJECTS
▲ APPRAISAL & READY TO DEVELOP
● EXPLORATION ASSETS
★ NEAR-TERM INCOME


NIGERIA
OML 18

CHAIRMAN'S STATEMENT



Mr Mutiu Sunmonu
Non-Executive Chairman

"I am delighted to provide my first annual report statement as Non-Executive Chairman of San Leon. At the time of my last statement, with the Interim Financial report on 30 September 2016, the Company had just succeeded in closing a world-class transaction on the OML 18 transaction, onshore Nigeria. This remains the main focus of the Company's activities and – indeed – its future."

CHAIRMAN'S STATEMENT

CORPORATE

2016 was all about the OML 18 transaction, and its €198.7 million (US$220.7 million) fund raising. The OML 18 transaction is summarised here.

A new Board was put in place by SLE on 21 September 2016 to reflect the new focus on Nigeria and cash flow.

San Leon undertook a number of steps to effect the purchase of its indirect interest in OML 18 in 2016. Midwestern Leon Petroleum Limited (MLPL), of which San Leon Nigeria BV has a 40% shareholding, purchased all of the shares in Martwestern Energy Limited (Martwestern). Martwestern holds a 50% shareholding in Eroton Exploration and Production Company Limited (Eroton), the operator of OML 18.

To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed approximately €165.6 million (at year end rate) (US$174.5 million) in incremental amounts by issuing Loan Notes under a Loan Note Instrument which attracts a coupon of 17 per cent. Midwestern Oil and Gas Company Limited (Midwestern) is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its Placing in September 2016, San Leon Energy PLC purchased all of the outstanding Loan Notes issued and is therefore the beneficiary and holder of all Loan Notes issued by MLPL. SLE has to be repaid the full €165.6 million (US$174.5 million) plus the 17% coupon once certain conditions have been met and using an agreed distribution mechanism. SLE is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, but the Loan Note repayments must take priority over any dividend payments made to MLPL shareholders and in accordance in the terms of the shareholders' agreement.

Through its 50% shareholding in Eroton and other agreements, Martwestern holds an initial 24.3 per cent. economic interest in OML 18. Through the ownership of MLPL and other commercial agreements, SLE is an indirect shareholder of Eroton, and the Company holds an initial 9.72% economic interest in OML 18.

In November 2016, San Leon sold its position in the Rawicz gas development for a net €8.5 million (US$9.0 million) in cash, and in the Siekierki field for €1 plus a Net Profit Interest of 10%. Certain San Leon liabilities on these assets were also written off, to the value of approximately €2.8 million (US$3.0 million). The balance of the cash payment, US$4.5 million plus interest, is due to San Leon on or before 01 October 2017. In the case of Rawicz, this transaction monetised the successful drilling over the previous two years.

The Company also reached agreement with Avobone N.V. and Avobone Poland B.V. (together "Avobone") in November 2016, which was subsequently revised in June 2017, regarding payment for Avobone's exit from the Siekierki project. The remaining amount to be paid by SLE according to the agreed repayment schedule, is approximately €14.7 million. Payments are currently up to date.

Just before year end, we announced the receipt of an approach from a possible offeror, which may or may not lead to an offer being made for San Leon. After the reporting period we announced that we were in discussions with a further three entities, and in June 2017 we announced a conditional offer from China Great United Petroleum (Holding) Limited. Following the end of the 45-day due diligence period San Leon anticipates an update from China Great United Petroleum (Holding) Limited in the near-term. While there can be no certainty that any of these discussions will lead to a firm bid, or any transaction, the Company conducts such talks with shareholders' best interests at heart, and considers the interest shown in San Leon by outside parties to be indicative of the quality of the OML 18 asset and of San Leon's strong position in it. The Company will provide other updates on these discussions as appropriate.

OPERATIONAL UPDATE

Eroton is the Operator of OML 18 while San Leon has a defined partner role. A Competent Person's Report prepared by Petrovision Energy Services Limited was published as part of the Admission Document, and provides considerable detail on plans for the asset. Those plans are being executed and, as with any major operation, are being adapted to fit opportunities and challenges as they arise. Fiscal metering is being installed on each OML 18 field to counter increased export pipeline loss allocation (expected installation is Q4 2017), and valves to allow isolation of the upstream part of the NCTL pipeline are being installed to reduce downtime.

The basis of optimising production is understanding the wells. Considerable data gathering has been carried out in the existing wells, and field activity is capitalising on that knowledge. Slickline, coiled tubing and electric line crews are involved across the OML 18 fields to optimise production and bring wells back online. Some of this work has been slower and more challenging than anticipated, so appropriate resources have been mobilised to address any issues. Some work programme delays have been caused by the slow granting of permissions, and by capex availability due to deferred receipt of cash call payments from NNPC.
The Orubiri Field came online in late 2016, and the Krakama Field was brought onto production in early 2017.

They are expected to be followed by the Buguma Field in Q4 2017, which will now be brought on by direct tie-back to the Krakama Field. San Leon continues to believe in the asset, and supports the proactive measures being taken to realise that value.

Q4 2017 is expected to see the commencement of heavy workover and new well drilling, both of which target significant hikes in production rates.

Eroton continues to accrue cash from OML 18 operations into the Debt Service Reserve Account ("DSRA") attached to its existing Reserves Based Lending ("RBL") facility. While Eroton awaits Nigerian National Petroleum Corporation ("NNPC") paying the balance of its cash calls for 2015 and 2016 (which is approximately US$93 million), in a welcome move NNPC began paying current cash calls from January 2017. Depositing three future quarterly RBL repayments into the DSRA is one of the conditions that need to be met before the RBL lenders will allow distribution of dividends from Eroton to its shareholders. The cumulative amount required to fill the DSRA account varies according to the RBL amortisation schedule, but is approximately US$120 million during 2017, falling to approximately US$90 million in 2018. As of 6 September 2017, the DSRA contained approximately US$32 million (9.9 bn Naira). As Eroton has confirmed that other conditions have already been met, dividends from Eroton to its shareholders can begin once sufficient funds have accrued in the DRSA, subsequent to which San Leon can initiate its policy of returning 50% of Nigerian free cash flow to shareholders. The Company's Irish counsel is progressing a capital reorganisation which is required to allow such distributions, which are later than originally expected for the above reasons; the timing of such distributions will depend in part on the timing of distribution of dividends from Eroton.

The Company has various guarantees and a share pledge in place which provides security for all payments due to the Company under the MLPL Loan Notes. Midwestern Oil and Gas Limited and its subsidiary, Mart Resources, have guaranteed the payments. As of 6 September 2017 the Company had US$77.7 million in outstanding repayments under the MLPL Loan Notes relating to the quarterly repayments up to 1st July 2017.

OTHER OPERATIONS

The Company has continued in 2016, and after the reporting period in 2017, to exit a number of non-core assets (in Morocco – Sidi Moussa, in Poland – Braniewo, Gniew, Budzow, Bestwina, Wielun, Olesnica, South Prabuty, Cybinka and Torzym) to reduce costs and focus on its Nigerian assets.

To complement the Company's cost reduction efforts, which include deferring some cash payments of Directors' fees, the Company has well-established loan relationships with various terms and conditions. During 2017 additional funds have been provided to the Company using these loan relationships with a current outstanding principal of approximately €4.3 million (£4.0 million).

Further facilities are available as follows:

- An agreement with YA Global Master SPV Ltd ("YA Global") provides the Group with a debt facility of £15 million accessible over a 30-month period from 21 May 2015 ("the facility") until November 2017. YA Global has indicated that they may be prepared to extend the term for a further period but there can be no guarantee of this.
- A facility of up to €20 million which may be available in two tranches from a UK based institution for an 18-month period until the end of 2018 in the event that the Company should require additional working capital. This is subject to terms and conditions, to be agreed in the event that the Company wishes to use this facility.

FINANCIAL REVIEW

Revenue for the twelve months to 31 December 2016 was €0.3 million compared with €0.1 million for the twelve months to 31 December 2015. San Leon generated a profit before tax of €5.7 million for the twelve months to 31 December 2016, compared with loss before tax of €213.4 million in the twelve months to 31 December 2015. Administration costs increased for the 12 month period to €26.4 million (2015: €17 million). Profit per share for the period is 3.42 cent per share (2015: loss per share of 506.40 cent per share). Cash and cash equivalents including restricted cash at 31 December 2016 amounted to €1.5 million (31 December 2015: €2.3 million). The directors have undertaken an assessment of going concern as detailed in the Directors' Report on page 32, and Note 1 on pages 54 and 55, which highlights the importance of cash flow from Nigeria to San Leon's continued operations, particularly as receipt of cash from dividends by Eroton and loan note repayment has been delayed.

OUTLOOK

The Company has concentrated on the right asset in Nigeria, with the right partner. The three expected revenue streams (loan repayments, dividends from San Leon's indirect shareholding in OML 18 and from the provision of workover drilling and facilities services) represents a diversified approach to securing cash flow.

CHIEF EXECUTIVE OFFICER'S STATEMENT

"2016 was Year One of OML 18, Year One of the new San Leon. *We are now more of a production, asset-management company, with a solid base – our indirect interest in Eroton provides us with exposure to a world-class Nigerian oil and gas block, OML 18, over one thousand square kilometres of energy resources and infrastructure, rich with production, workover and service opportunities."*

Oisín Fanning
Chief Executive Officer

I extend a very warm welcome on behalf of the Company, to Mr Mutiu Sunmonu – our new Chairman. Mr. Sunmonu brings with him a wealth of experience of the Nigerian E&P industry, and of OML 18 itself.

The OML 18 transaction is pivotal for the Company, and necessarily receives the vast majority of management's effort. Both Mr. Sunmonu and I sit on the Eroton Board, and we are appointing highly experienced personnel into technical and financial positions within Eroton. We work as partners with Eroton to help ensure the success of the project. There have been challenges, including delays in well operating, increased downtime and increased pipeline losses allocation, which have impacted on the timing of repayment of loan notes to San Leon, and of dividend payments by Eroton. However, together with Eroton, we have found solutions which are in the process of being implemented. The delays in receipt of these cash flows are reflected in the assessment of going concern undertaken by the directors as detailed in the Directors' Report on page 32, and Note 1 on pages 54 and 55.

We are well underway with setting up our Nigerian service entity, through which San Leon will benefit from providing drilling, workover and facilities services on OML 18 – supporting one of the three expected cash flow streams from Nigeria. The Company is working with an established Nigerian drilling entity to finalise securing of one or more rigs to perform this work.

Outside Nigeria we have seen an increase in business development interest in our other assets. The sale of Rawicz and Siekierki was completed, and various other assets are classified as held for sale. We have been clear for some time now that non-core assets will be divested, and we have reduced such costs throughout the year.

I look forward very much to securing value for shareholders, whether through a corporate transaction or via our stated shareholder distribution policy on page 23.

CHIEF OPERATING OFFICER'S STATEMENT

Joel Price
Chief Operating Officer

It is most Petroleum Engineers' wish to be in the middle of a world-class asset with an active work programme of well revitalisations and new drilling. While there have been challenges as well as successes, we have outlined to shareholders how Eroton is tackling issues as they arise, as it targets the gross field production of 100,000+ bopd shown in the CPR, albeit with some delays as announced. San Leon expects to become more actively involved in operations as its Nigerian service company begins performing drilling and workover functions, and assigns its senior technical appointee to Eroton.

OML 18 offers a strong cross-section of existing production, contingent resources, vast exploration on a block which is larger than Bahrain, existing oil and gas infrastructure, and nearby downstream offtake. Given Eroton's active community relations, value from the block is fully attainable.

POLAND

Interest in San Leon's Polish assets has picked up significantly as the oil price has recovered. These assets cover both conventional and unconventional, and both oil and gas.

As an example, in the North of Poland the Company's Gdansk W concession holds 220,000 acres of shale gas potential, with the most successful single vertical frac in Europe already well tested. The Szczawno concession includes a drilled but unfracced vertical well in a deeper formation with some natural fracturing.

With some concessions having been relinquished or sold, we have reduced overhead costs. The Company looks forward to updating shareholders on monetisation of the remaining assets in due course.

IRELAND

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. A CPR was produced by the operator in 2013, and the operator continues efforts to farm out the asset to enable the next wells to be drilled.

MOROCCO

San Leon has interests in three areas in Morocco following its post-reporting period exit from Sidi Moussa (offshore). These cover onshore gas appraisal (Tarfaya conventional area, with a well drilled in 2015), onshore oil shale (Tarfaya oil shale), and onshore exploration (Zag).

After the reporting period, ONHYM contacted San Leon to take control of the bank guarantee on Zag and to request a further payment for work not performed. The Company is in discussions with ONHYM regarding the area, which it believes should be subject to Force Majeure due to the security situation.

ALBANIA

The Durresi block is an extensive offshore area with local discovered oil and gas. San Leon has previously acquired significant 3D seismic data, and continues to work on the technical side of the block while looking for a partner to drill.

BOARD OF DIRECTORS

Mutiu Sunmonu
Non-Executive Chairman

Background and experience

Mutiu Sunmonu is a Former Managing Director of Shell Petroleum Development Company and Country Chairman of Shell Companies in Nigeria from 2008 to February 2015. He led Shell's multi-billion dollar operations in Nigeria employing over 4,000 direct staff with revenue contribution to the Nigerian Government of US$70 billion dollars during 2009-2013. He has worked in the industry for over 36 years in Nigeria, the UK and the Netherlands.

Committee memberships

Chairman of Risk and Safety Committee and Member of Audit, Nomination and Remuneration Committees.

Oisín Fanning
Chief Executive Officer

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.

Member of Nominations Committee.

Joel Price
Chief Operating Officer

Background and experience

Joel Price is a petroleum engineer with 20 years' experience, having worked across well operations, reservoir engineering, production optimisation, asset management and business development. He was instrumental in the drilling and hydraulic fracturing of the first multi-fracced horizontal wells in Poland.

He holds a BA Hons. in Natural Sciences (Geology) from Cambridge University, an MEng in Petroleum Engineering from Heriot-Watt University, and an MBA with distinction from Durham University.

Committee memberships

Member of Risk and Safety Committee.

Ewen Ainsworth
Finance Director

Ewen is an experienced Finance Director, having worked in a variety of senior and board-level finance roles in the oil and gas industry for nearly 30 years, most recently as Finance Director for Gulf Keystone Petroleum Limited. He qualified as a chartered management accountant, moving into leading commercial roles. He holds a degree in Economics and Geography from Middlesex University, and is a member of the Energy Institute.

Ray King
Non-Executive Director and 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.

Alan Campbell
Director of Commercial & Business Development

Alan has 15 years' experience in business, banking and the oil & gas industry. Key project management role in international merger, acquisition and divestment deals valued at over US$350 million – including origination, negotiation, due diligence, deal structuring, closing, postdeal integration and management. He holds a Masters in Project Finance & Venture Management (First Class Honours).

Nick Butler
Non-Executive Director

Nick is Visiting Professor and Chair of the Kings Policy Institute at Kings College London, and also acts as energy consultant to a number of companies working internationally in the natural gas and renewables industries. Previously he worked for BP, serving as Group Vice President for Strategy and Policy Development from 2002 to 2006, and as Senior Policy Adviser to the UK Prime Minister on business policy issues up to the May 2010 election.

Following Nick Butler's resignation on 6 September 2017 as Chairman of Audit and Remuneration Committees and member of Nomination and Risk and Safety Committees, replacements are to be appointed.

Mark Phillips
Non-Executive Director

Mark was a founding partner of private equity firm Penta Capital LLP and had previously been a senior investment executive with the private equity team at Royal Bank of Scotland plc. He holds an honours degree in Economics and Law from the University of Strathclyde as well as an MBA from the University of Edinburgh. He is a member of The Merchant Company of Edinburgh.

Chairman of Nomination Committee and Member of Audit and Remuneration Committees.

DIRECTORS' REPORT
for the year ended 31 December 2016

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 2016.

Principal activity and future developments
The principal activities of the Company are the management of an initial 9.72% indirect economic interest in OML 18 and 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, the Chief Executive Officer's Statement and the Chief Operating Officer's Statement.

Results and dividends
The Group profit for the year after providing for depreciation and taxation amounted to €5.7 million (2015: loss of €213.4 million). Net assets of the Group at 31 December 2016 amounted to €294.0 million (2015: €77.1 million). No dividends are proposed by the Directors.

Principal risks and uncertainties
The Group's principal area of oil production activity is in Nigeria through 9.72% indirect economic interest, together with oil and gas exploration in Poland, Morocco and Albania. 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 33. Other risks and uncertainties are considered to be the following:

Going concern and loan note repayment
The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review, are confident that the Group and the Company 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.

As set out in Note 1 to the financial statements, there are a number of assumptions underlying the Group's cash flow projections which indicate the existence of a material uncertainties which may cast significant doubt on the Group and the Company's ability to continue as a going concern. The principal uncertainty is the quantum and timing of receipt of interest and capital repayments on the OML 18 Loan Notes and dividend income. As detailed in Note 32, under the OML 18 Production Arrangement Transaction there are various undertakings, security and guarantees in place to the benefit of the Group as holders of the OML 18 Loan Notes.

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.

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 and dealing in shares

The share price movement in the year ranged from a low of Stg£0.27 to a high of Stg£0.55. The share price at 31 December 2016 was Stg£0.55.

San Leon announced on 3 July 2017 that the Company had not been able to publish its financial statements for the year ended 31 December 2016 (the "Accounts") by 30 June 2017 as required by Rule 19 of the AIM Rules for Companies (the "AIM Rules"). Dealings in San Leon's ordinary shares were therefore temporarily suspended under AIM Rule 40 from 7.30 a.m. on the 3 July 2017 until such time as the Accounts are duly published in compliance with AIM Rule 19.

Directors

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

Mutiu Sunmonu, Non-Executive Chairman (appointed 21 September 2016)
Oisín Fanning, Chief Executive Officer*
Paul Sullivan, Managing Director (resigned 21 September 2016)
Raymond King, Non-Executive Director and Company Secretary
Daniel Martin, Non-Executive Director (resigned 21 September 2016)
Piotr Rozwadowski, Non-Executive Director (resigned 5 May 2016)
Joel Price, Chief Operating Officer (appointed 21 September 2016)
Alan Campbell, Commercial and Business Development Director (appointed 21 September 2016)
Ewen Ainsworth, Finance Director (appointed 21 September 2016)
Mark Phillips, Non-Executive Director (appointed 21 September 2016)
Nick Butler, Non-Executive Director (appointed 21 September 2016, resigned 6 September 2017)

* In accordance with the Articles of Association, Oisín Fanning retires from the Board by rotation and being eligible offers himself for re-election.

Directors and their interests

The Directors and Secretary who held office at 31 December 2016, except where indicated, had no interests other than those shown below in the Ordinary Shares of the Company. All interests are beneficially held by the Directors.

	Number of Ordinary Shares		
Director	06/09/17	31/12/16	01/01/16
Mutiu Sunmonu+	–	–	–
Oisín Fanning#	3,635,594	3,635,594	818,926
Paul Sullivan~	608,400	608,400	608,400
Raymond King	–	–	–
Daniel Martin~	11,345	11,345	11,345
Piotr Rozwadowski*	–	–	–
Joel Price+	–	–	–
Alan Campbell+	–	–	–
Ewen Ainsworth+	66,666	66,666	–
Mark Phillips+	–	–	–
Nick Butler+>	–	–	–

\# Oisín Fanning is also due 510,510 ordinary shares in lieu of 80% of his salary for the period 1 September 2016 to 31 December 2016.
\+ Appointed 21 September 2016.
~ Resigned 21 September 2016.
* Resigned 5 May 2016.
> Resigned 6 September 2017.

DIRECTORS' REPORT continued

for the year ended 31 December 2016

Share options

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

Director	Options at 01/01/16	Granted in year	Exercised in year	Lapsed in year	Options at 31/12/16	Exercise price	Expiry date
Mutiu Sunmonu[+]	–	1,000,000	–	–	1,000,000	£0.45	20/09/23
Oisín Fanning	25,000	–	–	(25,000)	–	£11.00	04/02/16
	30,000	–	–	–	30,000	£11.00	14/11/18
	50,000^	–	–	–	50,000	£35.00	25/07/17
	35,000^	–	–	–	35,000	£35.00	13/02/18
	2,500	–	–	–	2,500	£25.00	29/12/17
	55,000*	–	–	–	55,000	€5.00	14/11/18
	35,000	–	–	–	35,000	£13.00	20/03/19
	55,000*	–	–	–	55,000	€5.00	06/07/19
	–	1,500,000	–	–	1,500,000	£0.45	20/09/23
Paul Sullivan[~]	20,000	–	–	(20,000)	–	£11.00	04/02/16
	50,000^	–	–		50,000^	£35.00	25/07/17
	2,500	–	–	–	2,500	£25.00	29/12/17
	25,000^	–	–		25,000^	£35.00	13/02/18
	2,500	–	–	–	2,500	£11.00	14/11/18
	27,500	–	–	–	27,500	£11.00	14/11/18
	40,000*	–	–	–	40,000	€5.00	14/11/18
	30,000	–	–	–	30,000	£13.00	20/03/19
	40,000*	–	–	–	40,000	€5.00	06/07/19
	–	1,000,000	–	–	1,000,000	£0.45	20/09/23
Raymond King	10,000	–	–	(10,000)	–	£11.00	04/02/16
	2,500	–	–	–	2,500	£25.00	29/12/17
	2,500	–	–	–	2,500	£11.00	14/11/18
	15,000	–	–	–	15,000	£13.00	20/03/19
	–	1,000,000	–	–	1,000,000	£0.45	20/09/23
Daniel Martin[~]	–	250,000	–	–	250,000	£0.30	08/11/23
Piotr Rozwadowski[<]	–	–	–	–	–	–	–
Joel Price[+]	2,000,000	–	–	–	2,000,000	£0.60	10/01/22
	–	1,500,000	–	–	1,500,000	£0.45	20/09/23
Alan Campbell[+]	2,000,000	–	–	–	2,000,000	£0.60	10/01/22
	–	1,500,000			1,500,000	£0.45	20/09/23
Ewen Ainsworth[+]	–	1,000,000	–	–	1,000,000	£0.45	20/09/23
Mark Phillips[+]	–	1,000,000	–	–	1,000,000	£0.45	20/09/23
Nick Butler[+>]	–	1,000,000	–	–	1,000,000	£0.45	20/09/23

^ The 100,000 options granted at £35.00 in 2010 and the 60,000 options granted at £35.00 in 2011 are only exercisable on fulfilment of a market condition requiring the Company share price to exceed £100.00 and £120.00 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.

+ Appointed 21 September 2016.

~ Resigned 21 September 2016.

< Resigned 5 May 2016.

> Resigned 6 September 2017.

Transactions involving Directors
Contracts and arrangements of significance during the year in which Directors of the Company were interested are disclosed in Note 32 to the financial statements.

Significant shareholders
The Company has been informed that, in addition to the interests of the Directors above, at 31 December 2016 and at 6 September 2017, the following shareholders own 3% or more of the issued share capital of the Company:

	Percentage of issued share capital	
	06/09/17	31/12/16
Toscafund Asset Management LLP	**58.70%**	54.41%
Total Investment Solutions SA	**8.71%**	8.97%
Amara Equity Investments SA	**6.96%**	8.97%
The Capital Group Companies Inc	**7.09%**	8.46%
Optima Worldwide Group plc	**4.28%**	4.41%

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 16 to the financial statements.

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

Compliance Policy Statement of San Leon Energy PLC
The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section ('relevant obligations'). The Directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structure.

It is also the policy of the Company to review at least twice during the course of each financial year of the Company the arrangements and structures referred to above which have been implemented with a view to determining if they provide a reasonable assurance of compliance in all material respects with Relevant Obligations.

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 procedures below in this regard.

The Board
At the date this Annual Report is published, the Board comprises four 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 Mutiu Sunmonu, Mark Phillips and Nick Butler (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.

DIRECTORS' REPORT continued

for the year ended 31 December 2016

Audit Committee

The Audit Committee consists of Mark Phillips and Mutiu Sunmonu and Nick Butler (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 at least four times per year. It meets with the external auditors at least twice a year, and meets the external auditor at least once a year without management present. The Committee also meets on an ad hoc basis as required.

Nominations Committee

The Nomination Committee consists of Oisín Fanning, Nick Butler, Mutiu Sunmonu and Mark Phillips (appointed as chairman). The nomination 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 Nick Butler and Joel Price and Mutiu Sunmonu (appointed as chairman). The committee is responsible for evaluating risks in Group operations including monitoring property, personnel and environmental risks and ensuring that appropriate procedures are in place for mitigating risk and ensuring that adequate insurance cover is in place for identifiable risks.

Internal control

The Board acknowledges its overall responsibility for ensuring that the Company has a system of internal control in place that is appropriate. It also seeks to ensure and or influence that similar systems of internal control are also in place in MLPL. 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;
- recruitment of appropriately qualified and experienced staff to key financial and management positions; and
- preparation of financial statements.

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.

Director emoluments and pension contributions, excluding share based payments, during the year ended 31 December 2016 were as follows:

	Salary & emoluments €'000	Bonus €'000	Pension €'000	Fees €'000	Issue of shares €'000	Shares to be issued €'000	**2016 Total €'000**
Mutiu Sunmonu[+]	–	–	–	40	–	–	**40**
Oisín Fanning	278	526	–	50	601[<]	277[#]	**1,732**
Paul Sullivan[~]	880	–	96	38	–	–	**1,014**
Raymond King	–	56	–	30	–	–	**86**
Daniel Martin[~]	–	–	–	15	–	–	**15**
Joel Price[+]	107	204	9	15	–	–	**335**
Alan Campbell[+]	107	204	9	15	–	–	**335**
Ewen Ainsworth[+]	87	44	7	15	–	–	**153**
Mark Phillips[+]	–	–	–	16	–	–	**16**
Nick Butler[+>]	–	–	–	16	–	–	**16**
Piotr Rozwadowski[*]	–	–	–	12	–	–	**12**
	1,459	1,034	121	262	601	277	**3,754**

+ Appointed 21 September 2016.
# Oisín Fanning is due 510,510 ordinary shares in lieu of 80% of his salary for the period 1 September 2016 to 31 December 2016.
< Oisín Fanning received 1,649,485 ordinary shares in lieu of 80% of his salary for the period 1 January 2016 to 31 August 2016.
~ Resigned 21 September 2016.
* Resigned 5 May 2016.
> Resigned 6 September 2017.

Director emoluments and pension contributions, excluding share based payments, during the year ended 31 December 2015 were as follows:

	Salary & emoluments €'000	Bonus €'000	Pension €'000	Fees €'000	Issue of shares €'000	Shares to be issued €'000	**2015 Total €'000**
Oisín Fanning	248	–	–	50	–	992[#]	**1,290**
Paul Sullivan[~]	572	–	96	50	–	–	**718**
Raymond King	–	–	–	30	–	–	**30**
Daniel Martin[~]	–	–	–	30	–	–	**30**
Piotr Rozwadowski[*]	–	–	–	35	–	–	**35**
	820	–	96	195	–	992	**2,103**

Oisín Fanning was due 1,167,183 ordinary shares in lieu of 80% of his salary for the year ended 31 December 2015. These shares were subsequently issued in 2016.

DIRECTORS' REPORT continued

for the year ended 31 December 2016

Remuneration Committee Report continued

The Group has a legal services agreement and a consultancy agreement with entities connected with Daniel Martin, Ewen Ainsworth and Raymond King respectively. In aggregate these entities received €283,620 (2015: €311,414) in consultancy fees from the Company during the year. See Note 32 for further details.

In addition to the emoluments above, in accordance with IFRS 2, share based payments, a cost of €2,525,125 (2015: €118,740) has been recognised in respect of share options granted to Directors. See Note 29 for further details of share options.

Accounting records

The Directors are responsible for ensuring adequate accounting records, as outlined in Section 281 to 285 of the Companies Act 2014, 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 accounting records are maintained at 3300 Lake Drive, Citywest Business Campus, Dublin 24.

Relevant audit information

The directors believe that they have taken all necessary steps to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as they are aware there is no relevant audit information of which the Company's statutory auditors are unaware.

Events since the year end

Details of significant events since the year end are included in Note 34.

Auditor

The Auditor, KPMG, Chartered Accountants, have indicated their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act 2014.

On behalf of the Board

Oisín

Oisín Fanning	**Raymond King**
Director	Director

6 September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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 Company financial statements for each financial year. Under that law and in accordance with AIM/ESM Rules, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

Under Company Law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

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;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements based on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in Note 1 – basis of preparation – forming part of the financial statements, the Directors believe that it is appropriate to prepare these financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility 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. Under applicable law, the Directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2014.

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.

On behalf of the Board

Oisín Fanning
Director

Raymond King
Director

INDEPENDENT AUDITOR'S REPORT

to the Members of San Leon Energy plc

We have audited the Group and Company financial statements ("financial statements") of San Leon Energy plc for the year ended 31 December 2016 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 statement of cashflows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

2. Our opinion on the financial statements is accompanied by an emphasis of matter – going concern and valuation of investment in Midwestern Leon Petroleum Limited

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 on pages 54 & 55 of the financial statements concerning the Group and Company's ability to continue as going concerns and Notes 13(v) and 17(i) concerning the uncertainty associated with the assessment of the carrying value of the Group's investment and related loan notes due from MLPL.

The directors have acknowledged that the Group has a requirement for further funding within the 12 month period from the date of approval of these financial statements. The quantum of this additional funding is heavily dependent on the timing of cashflows due to be received relating to the Group's most significant asset, its investment in MLPL. The investment in MLPL includes both an equity investment and loan notes which have been extended to MLPL.

The timing of receipt of payment of interest and principal on the loan notes is dependent on the ability of MLPL to make repayments. MLPL in turn is dependent on the ability of the OML 18 field in Nigeria to generate sufficient cashflows to allow it to make payments upwards to MLPL. As noted in Note 17(i) certain restrictions apply on OML making the distributions necessary.

These conditions, along with the other matters noted in Note 1 on pages 54 & 55 of the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group and Company's ability to recover the value of its loan note and equity investment in MLPL and continue as going concerns.

The financial statements do not include the adjustments that would result if the Group or Company were unable to recover their loan note and equity investment in MLPL or were unable to continue as going concerns.

3. Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

4. We have nothing to report in respect of matters on which we are required to report by exception
ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

Basis of our report, responsibilities and restrictions on use
As explained more fully in the Statement of Directors' Responsibilities set out on page 39 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) 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 Group and Company's 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cliona Mullen
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green
Dublin 2

6 September 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Continuing operations			
Revenue	2	**345**	145
Cost of sales		**(128)**	(1)
Gross profit		**217**	144
Share of profit / (loss) of equity accounted investments	13	**12,217**	(18)
Administrative expenses		**(26,367)**	(17,049)
Impairment of exploration and evaluation assets	12	**(9,300)**	(123,659)
Impairment of equity accounted investments	13	**–**	(43,245)
Decommissioning of wells	26	**(274)**	(4,291)
Arbitration award	26	**(3,628)**	(20,561)
Other income	3	**29,926**	–
Dissenting shareholders award	26	**(1,125)**	–
Loss on disposal of equity accounted investments	4	**(1,954)**	–
(Loss) from operating activities		**(288)**	(208,679)
Finance expense	6	**(13,025)**	(9,379)
Finance income	7	**2**	4
Finance income – OML 18 Production Arrangement	8	**16,801**	–
Profit / (loss) before income tax		**3,490**	(218,054)
Income tax	10	**2,227**	4,688
Profit / (loss) from continuing operations		**5,717**	(213,366)
Profit / (loss) per share (cent) – continuing operations			
Basic profit / (loss) per share	11	**3.4**	(506.4)
Diluted profit / (loss) per share	11	**3.3**	(506.4)

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Profit / (loss) for the year		**5,717**	(213,366)
Items that may be reclassified subsequently to the income statement			
Foreign currency translation differences – subsidiaries	28	**(763)**	(3,320)
Foreign currency translation differences – joint venture	13 / 28	**4,694**	–
Fair value movements in financial assets	17	**1,545**	4,658
Deferred tax on fair value movements in financial assets	31	**(494)**	(1,615)
Total comprehensive profit / (loss) for the year		**10,699**	(213,643)

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital reserve €'000	Share premium reserve €'000	Currency translation reserve €'000
2015			
Balance at 1 January 2015	126,779	164,100	(571)
Other comprehensive income			
Loss for the year	–	–	–
Other comprehensive income			
Foreign currency translation differences – foreign operations	–	–	(3,320)
Fair value movements in financial assets	–	–	–
Deferred tax on fair value movements in financial assets	–	–	–
Total comprehensive income for year	–	–	(3,320)
Transactions with owners recognised directly in equity			
Contributions by and distributions to owners			
Issue of shares for cash (Note 27)	363	40,801	–
Issue of adviser shares (Note 27)	2	224	–
Share based payment	–	–	–
Effect of share options cancelled	–	–	–
Change in ownership interests			
Shares issued to Realm Shareholders on conversion of exchangeable shares (Note 27)	1	1	–
Total transactions with owners	366	41,026	–
Balance at 31 December 2015	**127,145**	**205,126**	**(3,891)**
2016			
Balance at 1 January 2016	127,145	205,126	(3,891)
Total comprehensive income for year			
Profit for the year	–	–	–
Other comprehensive income			
Foreign currency translation differences – subsidiaries	–	–	(763)
Foreign currency translation differences – associates (Note 13)	–	–	4,694
Fair value movements in financial assets	–	–	–
Deferred tax on fair value movements in financial assets	–	–	–
Total comprehensive income for year	–	–	3,931
Transactions with owners recognised directly in equity			
Contributions by and distributions to owners			
Issue of shares for cash (Note 27)	3,784	194,926	–
Issue of shares in lieu of salary (Note 27)	28	1,451	–
Share based payment	–	–	–
Warrants issued on placing	–	–	–
Total transactions with owners	3,812	196,377	–
Balance at 31 December 2016	**130,957**	**401,503**	**40**

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

Share based payment reserve €'000	Fair value reserve €'000	Retained earnings €'000	Attributable to equity holders in Group €'000	Non-controlling interest €'000	Total €'000
11,425	(77)	(50,869)	250,787	2	250,789
–	–	(213,366)	(213,366)	–	(213,366)
–	–	–	(3,320)	–	(3,320)
–	4,658	–	4,658	–	4,658
–	(1,615)	–	(1,615)	–	(1,615)
–	3,043	(213,366)	(213,643)	–	(213,643)
–	–	(6,015)	35,149	–	35,149
–	–	–	226	–	226
4,542	–	–	4,542	–	4,542
(3,918)	–	3,918	–	–	–
–	–	–	2	(2)	–
624	–	(2,097)	39,919	(2)	39,917
12,049	**2,966**	**(266,332)**	**77,063**	**–**	**77,063**
12,049	2,966	(266,332)	77,063	–	77,063
–	–	5,717	5,717	–	5,717
–	–	–	(763)	–	(763)
–	–	–	4,694	–	4,694
–	1,545	–	1,545	–	1,545
–	(494)	–	(494)	–	(494)
–	1,051	5,717	10,699	–	10,699
–	–	(1,957)	196,753	–	196,753
(1,594)	–	–	(115)	–	(115)
9,537	–	–	9,537	–	9,537
701	–	(701)	–	–	–
8,644	–	(2,658)	206,175	–	206,175
20,693	**4,017**	**(263,273)**	**293,937**	**–**	**293,937**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital €'000	Share premium €'000	Shares to be issued €'000
2015			
Balance at 1 January 2015	126,779	164,100	2
Total comprehensive income			
Loss for the year	–	–	–
Fair value movement in financial asset	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with owners recognised directly in equity			
Contributions by and distributions to owners			
Issue of shares for cash (Note 27)	363	40,801	–
Issue of adviser shares (Note 27)	2	224	–
Share based payment	–	–	–
Effect of share options cancelled	–	–	–
Shares issued to Realm Shareholders on conversion of exchangeable shares (Note 27)	1	1	(2)
Total transactions with owners	366	41,026	(2)
Balance at 31 December 2015	**127,145**	**205,126**	**–**
2016			
Balance at 1 January 2016	127,145	205,126	–
Total comprehensive income			
Profit for the year	–	–	–
Fair value movements in financial assets	–	–	–
Deferred tax on fair value movements in financial assets	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with owners recognised directly in equity			
Contributions by and distributions to owners			
Issue of shares for cash (Note 27)	3,784	194,926	–
Issue of shares in lieu of salary (Note 27)	28	1,451	–
Share based payment	–	–	–
Warrants issued on placing	–	–	–
Total transactions with owners	3,812	196,377	–
Balance at 31 December 2016	**130,957**	**401,503**	**–**

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

Share based payment reserve €'000	Fair value reserve €'000	Retained earnings €'000	Total equity €'000
11,425	(918)	(72,049)	229,339
–	–	(200,269)	(200,269)
–	7,583	–	7,583
–	7,583	(200,269)	(192,686)
–	–	(6,015)	35,149
–			226
4,542	–	–	4,542
(3,918)	–	3,918	–
–	–	–	–
624	–	(2,097)	39,917
12,049	**6,665**	**(274,415)**	**76,570**
12,049	6,665	(274,415)	76,570
–	–	(56,892)	(56,892)
–	1,545	–	1,545
–	(3,075)	–	(3,075)
–	(1,530)	(56,892)	(58,422)
–	–	(1,957)	196,753
(1,594)	–	–	(1,594)
9,537	–	–	9,537
701	–	(701)	–
8,644	–	(2,658)	206,175
20,693	**5,135**	**(333,965)**	**224,323**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	2016 €'000	2015 €'000
Assets			
Non-current assets			
Intangible assets	12	**44,621**	47,532
Equity accounted investments	13	**74,382**	11,375
Property, plant & equipment	14	**3,279**	10,266
Financial assets	17	**169,616**	52,553
Other non-current assets	15	**257**	833
		292,155	122,559
Current assets			
Inventory	18	**253**	329
Trade and other receivables	19	**11,490**	6,546
Other financial assets	20	**1,328**	1,370
Financial assets	17	**37,727**	–
Cash and cash equivalents	21	**177**	913
Assets classified as held for sale	22	**2,553**	–
		53,528	9,158
Total assets		**345,683**	131,717
Equity and liabilities			
Equity			
Called up share capital	27	**130,957**	127,145
Share premium account	27	**401,503**	205,126
Share based payments reserve	28 / 29	**20,693**	12,049
Currency translation reserve	28	**40**	(3,891)
Fair value reserve	28	**4,017**	2,966
Retained deficit		**(263,273)**	(266,332)
Total equity		**293,937**	77,063
Non-current liabilities			
Provisions	26	**1,280**	24,437
Derivative	24	**255**	–
Deferred tax liabilities	31	**7,332**	9,086
		8,867	33,523
Current liabilities			
Trade and other payables	23	**11,298**	14,583
Loans and borrowings	25	**6,283**	4,778
Provisions	26	**24,298**	1,770
Liabilities classified as held for sale	22	**1,000**	–
		42,879	21,131
Total liabilities		**51,746**	54,654
Total equity and liabilities		**345,683**	131,717

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

On behalf of the Board

Oisín Fanning Director

Ewen Ainsworth Director

6 September 2017

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	2016 €'000	2015 €'000
Assets			
Non-current assets			
Intangible assets	12	**9,020**	–
Property, plant & equipment	14	**–**	9,057
Financial assets	17	**169,616**	52,553
Financial assets – investment in subsidiaries	16	**47,038**	48,122
		225,674	109,732
Current assets			
Trade and other receivables	19	**6,027**	4,108
Financial assets	17	**37,727**	–
Other financial assets	20	**–**	84
Cash and cash equivalents	21	**1**	572
		43,755	4,764
Total assets		**269,429**	114,496
Equity and liabilities			
Equity			
Called up share capital	27	**130,957**	127,145
Share premium account	27	**401,503**	205,126
Share based payments reserve	28 / 29	**20,693**	12,049
Fair value reserve	28	**5,135**	6,665
Retained deficit		**(333,965)**	(274,415)
Attributable to equity shareholders		**224,323**	76,570
Non-current liabilities			
Derivative	24	**255**	–
Deferred tax liabilities	31	**7,627**	–
		7,882	–
Current liabilities			
Trade and other payables	23	**30,941**	33,148
Loans and borrowings	25	**6,283**	4,778
		37,224	37,926
Total liabilities		**45,106**	37,926
Total equity and liabilities		**269,429**	114,496

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

On behalf of the Board

Oisín Fanning Director

Ewen Ainsworth Director

6 September 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Cash flows from operating activities			
Profit / (loss) for the year – continuing operations		**5,717**	(213,366)
Adjustments for:			
Depletion and depreciation	14	**647**	1,005
Finance expense	6	**13,025**	9,379
Finance income	7 / 8	**(16,803)**	(4)
Share based payments charge		**9,537**	4,278
Foreign exchange		**(391)**	(591)
Income tax	10	**(2,227)**	(4,688)
Impairment of exploration and evaluation assets – continuing operations	12	**9,300**	123,659
Impairment of equity accounted assets – continuing operations	13	**–**	43,245
Arbitration award	26	**3,628**	20,561
Dissenting shareholders	26	**1,125**	–
Decommissioning costs	26	**274**	4,291
Disposal of equity interest	4	**1,954**	–
Bargain purchase of MLPL	3	**(29,926)**	–
Decrease / (increase) in inventory		**76**	(8)
(Increase) / decrease in trade and other receivables		**(784)**	3,988
(Decrease) / increase in trade and other payables		**(3,270)**	3,490
Movement in other non-current assets	15	**576**	–
Share of profit / (loss) of equity-accounted investments	13	**(12,217)**	18
Tax paid		**(4)**	(112)
Net cash inflow / (outflow) from operating activities		**(19,763)**	(4,855)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		**(1,117)**	(20,473)
Dissenting shareholder payment		**(705)**	–
Proceeds of disposal of equity-accounted investments		**4,222**	–
Arbitration payment		**(2,231)**	–
Purchase of property, plant and equipment	14	**(2,719)**	(434)
Advances to equity accounted investments		**53**	(2,115)
Decrease in restricted cash	20	**84**	99
Proceeds of farm out arrangement		**–**	2,000
Acquisition of OML 18 equity interest	13	**(27,545)**	–
OML 18 Production Arrangement loan notes	17	**(136,583)**	–
Proceeds of financial investments and investment income	17	**140**	–
Net cash outflow from investing activities		**(166,401)**	(20,923)
Cash flows from financing activities			
Proceeds from issue of shares		**196,753**	41,390
Cost of issue of shares		**–**	(6,015)
Proceeds from drawdown of other loans		**6,104**	6,106
Repayment of other loans		**(12,437)**	(7,805)
Movement in Director loan		**145**	202
Interest and arrangement fees paid		**(5,040)**	(9,116)
Net cash inflow from financing activities		**185,525**	24,762
Net (decrease) in cash and cash equivalents		**(639)**	(1,016)
Effect of foreign exchange fluctuation on cash and cash equivalents		**(97)**	120
Cash and cash equivalents at start of year	21	**913**	1,809
Cash and cash equivalents at end of year	21	**177**	913

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Cash flows from operating activities			
Loss for the year		**(56,892)**	(200,269)
Adjustments for:			
Depletion and depreciation	14	**33**	87
Non cash dividend on Barryroe		**–**	(27,360)
Finance income		**(16,802)**	(187)
Finance expense		**12,972**	9,316
Share based payments charge		**8,659**	3,286
Impairment of investment in subsidiaries and amounts due from group undertakings		**32,450**	206,501
Foreign exchange		**(70)**	488
Income tax		**4,555**	9
Decrease in trade and other receivables		**137**	3,837
Increase / (decrease) in trade and other payables		**236**	(1,131)
Tax (paid)		**7**	1
Net cash outflow from operating activities		**(14,715)**	(5,422)
Cash flows from investing activities			
Purchase of property, plant and equipment		**–**	(514)
Advances to subsidiary companies		**(7,448)**	(19,840)
Decrease / (increase) in restricted cash	20	**84**	99
OML 18 Production Arrangement loan notes	17	**(136,583)**	–
Acquisition of OML 18 equity interest		**(27,545)**	–
Proceeds of financial investments and investment income	17	**140**	–
Net cash outflow from investing activities		**(171,352)**	(20,255)
Cash flows from financing activities			
Proceeds from issue of shares		**196,753**	41,390
Cost of issue of shares		**–**	(6,015)
Proceeds from drawdown of other loans		**6,104**	6,106
Repayment of other loans		**(12,437)**	(7,805)
Movement in Director loan		**145**	202
Interest and arrangement fees paid		**(4,988)**	(9,053)
Net cash inflow from financing activities		**185,577**	24,825
Net (decrease) in cash and cash equivalents		**(490)**	(852)
Effect of foreign exchange fluctuation on cash and cash equivalents		**(81)**	(15)
Cash and cash equivalents at start of year	21	**572**	1,439
Cash and cash equivalents at end of year	21	**1**	572

The accompanying notes on pages 52 – 97 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. Accounting policies

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 Park House, Wilton Place, Dublin 2.

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

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 Act, 2014 which permits a Company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 304 of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements. The IFRS's adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective for accounting periods commencing on or before 1 January 2016 or were early adopted as indicated below. The accounting policies adopted are consistent with those of the previous year.

New standards required by EU companies for the year ended 31 December 2016

The following new standards and amendments were adopted by the Group for the first time in the current financial reporting period. There was no impact on the results for the year ended 31 December 2016.

1. Accounting policies continued

New standards and interpretations effective that have not been early adopted

Standard	Effective date
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 February 2015
Annual improvements to IFRSs 2010-2012 Cycle	1 February 2015
Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants	1 January 2016
Amendments to IAS 27 Equity method in Separate Financial Statements	1 January 2016
Amendments to IAS 1: Disclosure Initiative	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception (December 2014)	1 January 2016

New standards and amendments issued by the IASB but not yet effective
There are a number of new standards, amendments to standards and interpretations that are not yet effective and have not been applied in preparing these consolidated financial statements. These new standards, amendments to standards and interpretations are either not expected to have a material impact on the Group's financial statements or are still under assessment by the Group.

The principal new standards, amendments to standards and interpretations are as follows:

Standard	EU Effective date
Amendments to IAS 7: Disclosure Initiative	Not endorsed, expected to be endorsed Q4 2017
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	Not endorsed, expected to be endorsed Q4 2017
Clarifications to IFRS 15: Revenue from Contracts with Customers	Not endorsed, expected to be endorsed Q4 2017
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	Not endorsed, expected to be endorsed Q4 2017
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Not endorsed, expected to be endorsed Q4 2017
Annual Improvements to IFRS 2014-2016 Cycle	Not endorsed, expected to be endorsed Q4 2017
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration	Not endorsed, expected to be endorsed Q4 2017
Amendments to IAS 40: Transfers of Investment Property	Not endorsed, expected to be endorsed Q4 2017
IFRS 16: Leases	Not endorsed, expected to be endorsed Q4 2017
IFRIC 23 Uncertainty over Income Tax Treatments	Not endorsed, expected to be endorsed 2018
IFRS 15: Revenue from contracts with customers (May 2014) including amendments to IFRS 15	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 14: Regulatory Deferral Accounts	Not endorsed, no indicative endorsement date provided
IFRS 17 Insurance Contracts	Not endorsed, no indicative endorsement date provided
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	Endorsement postponed. Awaiting IASB developments.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is reviewing the upcoming standards to determine their impact.

1. Accounting policies continued

Basis of preparation

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

Going concern

The Directors have prepared a detailed cash flow forecast for the Group and Company for the period from 1 September 2017 to 31 December 2018.

The principal assumptions underlying the cash flow forecast and the availability of finance to the Group are as follows:

- During the year the Company completed a transaction and holds €156.6 million (US$174.5 million) of Loan Notes in Midwestern Leon Petroleum Limited (MLPL), which will be repayable by MLPL to San Leon and a 40 per cent shareholding in MLPL, which gives San Leon an initial 9.72% economic interest in OML 18. The Group will receive cash flows from its initial 9.72% economic interest in OML 18 in the form of interest and capital repayments on the Loan Notes and dividend income. The model assumes that sufficient cash flows will be generated from oil and gas production on the OML 18 field from September 2017. This assumption is based on a Competent Person's Report on OML 18 and is on the basis that the OML operator will be in a position to distribute the funds generated to its shareholders.
- The terms of the OML 18 transaction also allow the Company the right to provide oilfield services to the operator of OML 18. The projections assume that the Company will receive an income stream arising on the roll out of these services.
- The cash outflow for the Group under the Avobone Arbitration Award as detailed in an announcement made on 5 June 2017; €8,000,000 by October 2017 and €6,694,840 by November 2017.
- Ongoing exploration and administrative expenditure from existing activities are in line with current expectations and commitments.
- Provision and settlement of certain loans provided to the Group. The forecast indicates a maximum loan of €20 million with an expectation of €9.1 million with either sum being repaid within the forecast period. These loans would be provided under either well established loan relationships and / or the agreement with YA Global and / or a UK-based institution detailed below.
- Further cash inflows from the sale of certain Polish assets, the completion of the sale to Ardilaun and receipt of royalty related to an asset in Holland and contract award for the Company's NovaSeis business.
- The cash flow forecast reflects 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 and its available financial resources from existing cash balances and committed facilities. The strategy of the Directors is to continue 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 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 activities. Although there is potential for further cash inflows from monetising certain assets through outright/ partial disposal of interests or securing farm-in partners on certain projects, the cash flow projections do not include these supplemental cash inflows.
- The Group has well established loan relationships with various parties in addition to committed financing facilities in place which may be required to help fulfil the Group's immediate cash flow requirements in the period from September 2017 to December 2018 in the event that the advance of the cash inflows from OML 18 which are forecast to flow to the Group on a quarterly basis are delayed. The facilities which may be available are as follows:

  – 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£15 million ("the facility") accessible over a 30 month period from 21 May 2015 ("the facility") until November 2017. YA Global has indicated that it may be prepared to extend the term for a further period but there can be no guarantee of this.

  – A facility of up to €20 million which may be available in two tranches from a UK-based institution for an 18 month period until the end of 2018 in the event that the Company should require additional working capital. This is subject to agreed terms and conditions should the Company wish to avail itself of this facility and there can be no guarantee of this.

1. Accounting policies continued

Given the Group's well understood cost base, the principal uncertainties relate to the quantum and timing of receipt of interest and capital repayments on the OML 18 Loan Notes, and dividend income. As described in Note 32 Related party transactions under the OML 18 Production Arrangement Transaction the repayment of the Loan Notes in the first instance is dependent on dividends being paid by Eroton Exploration and Production Company Limited (Eroton) which is dependent on the profitability of OML 18 and meeting the conditions precedent under Eroton's RBL banking facility of which the principal outstanding requirement is to fully fund the Debt Service Reserve Account. In addition, there is further uncertainty over the award of a contract(s) for the Group's NovaSeis services business and the commencement of the provision of oilfield services to the operator of OML 18, either of which if delayed would also impact the receipt of income. If such a situation should arise, the Group has taken steps to ensure there are suitable lines of financing, from either YA Global and / or a UK-based institution as detailed above.

The directors have assumed that additional loan facilities of €12 million will be obtained in October 2017 and a further €7 million will be obtained in November 2017 to meet the Group's payment commitments.

Such financing is not expected to be required past the middle of 2018, even if the worst case scenario occurred simultaneously with significant underperformance of both services' businesses.

The directors have concluded that the combination of these circumstances represents material uncertainties which may cast significant doubt upon the Group and Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to continue realising its assets and discharging its liabilities in the normal course of business.

Nevertheless, 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 and for a period of at least 12 months from the date of approval of the financial statements.

Accordingly the Directors continue to adopt the going concern basis of preparation of the financial statements for the year ended 31 December 2016.

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, rounded to the nearest thousand.

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 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:

- Going concern (Note 1)
- Recoverability of intangible assets (Note 12)
- Recoverability of equity accounted investments (Note 13)
- Measurement and recovery of financial assets (Note 17)
- Measurement of share-based payments (Note 29)
- Recognition of tax losses (Note 31)
- Provision (Avobone) (Note 26)

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Group (its subsidiaries). Control is defined as when the Group is exposed to or has the rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity. 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.

1. Accounting policies continued

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 defined as when the Group has the rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are substantive.

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.

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

1. Accounting policies continued

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.

Joint arrangements
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.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

1. Accounting policies continued

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 33.

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. The fair value is measured at grant date and spread over the period during which the awards vest. 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 29.

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.

Where the terms of an equity-settled transaction are modified, an additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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.

1. Accounting policies continued

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 2 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 remeasured 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 remeasurement 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 scheme. All contributions made are recognised in the Income Statement in the period in which they fall due.

Fair value movement
The Group has an established 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 details on assumptions made in measuring level 3 fair values see the following notes:
- Note 17 Financial assets
- Note 24 Derivative

Assets and liabilities measured at fair value (Note 33)
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, 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.

2. 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 receives verbal or written reports at Board meetings for each of the segments based on the captions below which management consider to be appropriate in evaluating segment performance relative to other entities that operate in the industry. As the Group is in a process of transition the segments are to be reviewed for relevance in the future.

	Poland		Morocco	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000
Total revenue	**345**	145	**–**	–
Segment (loss) / profit before income tax	**(5,648)**	(122,830)	**(6,360)**	(42,087)
Exploration and evaluation assets	**7,143**	12,561	**29,162**	26,859
Impairment of exploration and evaluation assets	**(2,861)**	(80,654)	**(6,439)**	(41,657)
Equity accounted investments	**–**	11,375	**–**	–
Impairment of equity accounted investments	**–**	(35,220)	**–**	–
Segment non-current assets	**7,677**	25,089	**29,162**	35,881
Capital expenditure^	**1,243**	2,811	**(330)**	15,699
Segment liabilities	**(1,730)**	(1,671)	**(1,906)**	(6,212)

Revenue relates to the provision of seismic acquisition services in Poland in 2016 and 2015.

^ 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.

	Romania		Albania		Nigeria		Corporate#		Total	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000
	–	–	**–**	–	**–**	–	**–**	–	**345**	145
	–	(8,025)	**(27)**	(6)	**54,040**	–	**(38,515)**	(45,106)	**3,490**	(218,054)
	–	–	**8,316**	8,112	**–**	–	**–**	–	**44,621**	47,532
	–	–	**–**	–	**–**	–	**–**	(1,348)	**(9,300)**	(123,659)
	–	–	**–**	–	**74,382**	–	**–**	–	**74,382**	11,375
	–	(8,025)	**–**	–	**–**	–	**–**	–	**–**	(43,245)
	–		**8,316**	8,112	**192,757**	–	**54,243**	53,477	**292,155**	122,559
	–	663	**204**	988	**–**	–	**–**	312	**1,117**	20,473
	–	(671)	**(634)**	(760)	**–**	–	**(47,476)**	(45,340)	**(51,746)**	(54,654)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

3. Other income

Group

	2016 €'000	2015 €'000
Bargain purchase on acquisition of Midwestern Loan Petroleum Limited	29,926	–
	29,926	–

The bargain purchase on acquiring a 40% interest in Midwestern Leon Petroleum Limited (MLPL) is calculated as follows:

	2016 €'000	2015 €'000
Fair value at the date of acquisition	57,471	–
Less equity investment in MLPL by San Leon Energy Nigeria B.V. (Note 17)	(27,545)	–
Bargain purchase of MLPL	29,926	–

4. Loss on disposal on equity accounted investments

	2016 €'000	2015 €'000
Consideration on sale of equity accounted investments	8,478	–
Loans eliminated on disposal	2,800	–
Book value at date of disposal	(15,041)	–
Decommissioning provision reversed	1,809	–
Loss of disposal of equity accounted investments	(1,954)	–

In November 2016, the Company sold its 35% interest in the Rawicz gas field held through TSH Energy Joint Venture B.V. for a cash consideration of €8.5 million (US$9.0 million), and the release of certain San Leon liabilities. These liabilities included loans which were advanced by Palomar to the Company as a temporary carry of the drilling and testing costs of the Rawicz-12 and Rawicz-15 wells, and amount each to approximately €2.8 million (US$3.0 million).

The Company also sold its 35% interest in the Poznan assets held through Poznan Energy B.V (largely the Siekierki field) for a consideration of €1 plus a 10% Net Profit Interest ("NPI") in the Poznan assets. The NPI removes any further cost exposure to San Leon, while providing an interest in any future profits made by Palomar on the Poznan assets. A nil value has been placed on the NPI at this stage, since no agreed work programmes are in place for the asset. The first €2.1 million (US$2.2 million) was received on closing, the next €2.1 million (US$2.3 million) was received on 30 November 2016 and the remaining €4.3 million (US$4.5 million) is due to be paid to San Leon on or before 1 October 2017. An interest charge of LIBOR plus 5% is being applied to any sum not paid by 1 February 2017.

5. Statutory information

(a) Group

	2016 €'000	2015 €'000
The profit / (loss) for the financial year is stated after charging / (crediting):		
Depreciation of property, plant, machinery and equipment	**647**	1,005
(Gain) / loss on foreign currencies	**(391)**	280
Operating lease rentals		
– Premises	**1,378**	1,668
– Motor vehicles	**–**	49
Pre-licence expenditure	**–**	96
Impairment of exploration and evaluation assets	**9,300**	123,659
Impairment of equity accounted investments	**–**	43,245
OML 18 Production Arrangement – fees	**4,904**	–
OML 18 Production Arrangement – transaction costs	**3,339**	–
OML 18 Production Arrangement – share based payment charge#	**5,812**	–
Share based payment charge	**3,725**	3,286

Comprises the 10,000,000 warrants issued to Toscafund (Note 32), the 3,000,000 options granted to Robin Management Services (Note 34) and the 4,000,000 options granted to DSA Investments Inc. (Note 34).

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

	2016 €'000	2015 €'000
Audit services		
Group Auditor – KPMG Ireland	**150**	120
	150	120
Tax and non-assurance services		
Group Auditor – KPMG Ireland#	**55**	–
Other network firm – KPMG*	**15**	15
	70	15
Total		
Group Auditor – KPMG Ireland	**205**	120
Other network firm – KPMG	**15**	15
	220	135

During the year the Company engaged KMPG Ireland for services in relation to the OML18 Production Arrangement and readmission to AIM.

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

(b) Company

	2016 €'000	2015 €'000
The loss for the financial year is stated after charging:		
Depreciation of property, plant, machinery and equipment	**33**	87
(Gain) / loss on foreign currencies	**(70)**	152
Operating lease rentals – premises	**854**	1,055
Auditor's remuneration – audit services	**150**	120
Pre-licence expenditure	**–**	52

As permitted by Section 304 of the Companies Act 2014, the Company Statement of Comprehensive Income has not been separately disclosed in these financial statements. A loss of €56.9 million (2015: a loss of €200.3 million) has been recorded in the company.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

6. Finance expenses

	2016 €'000	2015 €'000
On loans and overdraft	**4,844**	8,237
Finance arrangement expenses other than OML 18 Production Arrangement	**3,022**	1,142
OML 18 Production Arrangement – fees	**4,904**	–
Fair value charge on issue of warrants to LPL Finance Limited (Note 24)	**255**	–
	13,025	9,379

7. Finance income

	2016 €'000	2015 €'000
Deposit interest received	**2**	–
Fair value movement on issue of warrants to non-employee (Note 24)	**–**	4
	2	4

8. OML 18 Production Arrangement

	2016 €'000	2015 €'000
Foreign exchange gain on loan notes	**7,958**	–
Interest income on loan notes	**8,843**	–
	16,801	–

9. Personnel expenses

Number of employees

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

	2016 Number	2015 Number
Directors	5	6
Administration	15	18
Technical	14	21
Seismic crew	9	23
	43	68

Employment costs (including Directors)

	2016 €'000	2015 €'000
Wages and salaries (excluding Directors)	2,284	3,448
Directors' salaries	1,459	820
Directors' bonuses	1,034	–
Social welfare costs	387	427
Directors' fees	262	195
Consultancy services	284	311
Share based payments including shares in lieu of salary (including Directors)[# < ~]	3,403	4,278
Employees' pension	301	80
Directors' pension	121	96
	9,535	9,655

Oisín Fanning is due 510,510 ordinary shares in lieu of 80% of his salary for the period from 1 September 2016 to 31 December 2016 and €276,774 has been recognised in share based payments in respect of this.

< Oisín Fanning received 1,649,485 ordinary shares in lieu of 80% of his salary for the period 1 January 2016 to 31 August 2016 and €600,769 has been recognised in share based payments in respect of this.

~ In addition to the emoluments above, in accordance with IFRS 2, share based payments, a cost of €2,525,125 (2015: €118,740) has been recognised in respect of share options granted to Directors. See Note 29 for further details of share options.

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

Details of consultancy arrangements are set out in Note 32.

During the year, €0.6 million (2015: €4.3 million) was capitalised in exploration and evaluation assets in respect of Group employment costs above. No share based payments were capitalised during the year (2015: Nil).

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. Total contributions by the Group to the pension scheme, including contributions for Directors, amounted to €0.4 million (2015: €0.2 million).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

10. Income tax credit

	2016 €'000	2015 €'000
Current tax		
Current year income tax	21	40
Deferred tax		
Origination and reversal of temporary differences (Note 31)	(2,248)	(4,728)
Total income tax credit	(2,227)	(4,688)

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

	2016 €'000	2015 €'000
Profit / (loss) before income tax	3,490	(218,054)
Tax on profit at applicable Irish corporation tax rate of 25% (2015: 25%)	873	(54,514)
Effects of:		
Expenses allowable not deductible for tax purposes	(6,782)	48,219
Losses utilised in the year	–	(13)
Income tax withheld	3	3
Polish tax liability	18	–
Excess losses carried forward	3,661	1,617
Tax credit for the year	(2,227)	(4,688)

11. Earnings per share

Basic earnings / (loss) per share

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

	2016 €'000	2015 €'000
Profit / (loss) for the year	5,717	(213,366)

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

	Number of shares	Number of shares
In issue at start of year	61,809,052	25,355,727
Effect of outstanding exchangeable shares	–	173
Effect of shares issued in the year	105,487,351	16,778,438
Weighted average number of ordinary shares in issue (basic)	167,296,403	42,134,338
Basic earnings / (loss) per ordinary share (cent)	3.42	(506.40)

11. Earnings per share continued

Diluted earnings / (loss) per share

Diluted earnings or loss per share is calculated by dividing the profit or loss 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:

	2016 €'000	2015 €'000
Profit / (loss) for the year	**5,717**	(213,366)

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

	Number of shares	Number of shares
Weighted average number of shares in issue during the year (basic)	**167,296,403**	42,134,338
Effect of share options and warrants on issue	**3,946,073**	–
Weighted average number of ordinary shares (diluted) at 31 December	**171,242,476**	42,134,338
Diluted earnings / (loss) per ordinary share (cent)	**3.34**	(506.40)

At 31 December 2016, a total of 41,710,972 (2015: 10,017,043) options and warrants were excluded from the weighted average number of ordinary shares calculation for diluted earnings per share as their effect would have been anti-dilutive.

12. Intangible assets

Group	**Exploration and evaluation assets € 000**
Cost and net book value	
At 1 January 2015	163,375
Additions	20,473
Proceeds from farm-out arrangement	(2,000)
Transfer to equity accounted investments	(8,025)
Currency translation adjustment	(2,632)
Impairment of exploration assets	(123,659)
At 31 December 2015	**47,532**
Additions (i)	1,117
Disposals	(849)
Transfer from property, plant and equipment (assets under construction) (Note 14)	9,020
Transfer to held for sale assets (Note 22)	(2,553)
Currency translation adjustment	(346)
Impairment of exploration assets	(9,300)
At 31 December 2016	**44,621**

12. Intangible assets continued

Company	Exploration and evaluation assets €'000
Cost and net book value	
At 1 January 2015	–
Additions	–
At 31 December 2015	–
Additions	–
Transfer from property, plant and equipment (assets under construction) (Note 14)	9,020
At 31 December 2016	**9,020**

An analysis of intangible assets by geographical area is set out in Note 2.

(i) This is the net amount incurred by San Leon Energy and excludes amounts attributable to joint operating partners of nil in 2016 (2015: €Nil).

The Directors have considered the carrying value at 31 December 2016 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 €9.3 million and are satisfied that there are no further impairment indicators. The Directors recognise that future realisation of the remaining oil and gas interests is dependent on future successful exploration and appraisal activities and subsequent production of oil and gas reserves.

(ii) The Directors have considered the classification of 'assets under construction' and made the decision to transfer to 'Intangible assets' as the project is not yet at the stage of development and is still being evaluated (Note 14).

13. Equity accounted investments

Group	2016 €'000	2015 €'000
Cost and net book value		
At 1 January	**11,375**	44,483
Transfer from exploration and evaluation assets	**–**	8,025
Acquisition of OML equity interest	**57,471**	–
Impairment of equity accounted investments	**–**	(43,245)
Disposal of interests	**(11,428)**	–
Advances to equity accounted investments	**53**	2,115
Share of profit / (loss) of equity accounted investments	**12,217**	(18)
Exchange rate adjustment	**4,694**	15
At 31 December	**74,382**	11,375

13. Equity accounted investments continued

The Group's joint venture entities at 31 December 2016 are as follows:

Name	Registered office
Olesnica LLP	84 Brook Street, London, W1K 5EF, United Kingdom
South Prabuty LLP	84 Brook Street, London, W1K 5EF, United Kingdom
Energia Torzym Sp. z o.o. Sp. K.	Ul. Moniuszki 1a, 00-014, Warsaw, Poland
Energia Cybinka Sp. z o.o. Sp. K.	Ul. Moniuszki 1a, 00-014, Warsaw, Poland
Midwestern Leon Petroleum Limited	5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Republic of Mauritius

(i) In June 2012, San Leon purchased a 75% interest in three LLPs, namely Olesnica LLP, Wielun LLP and South Prabuty LLP, from Hutton Energy Plc. The LLPs are the 100% title holders 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 €11.88 million (US$15 million) was payable by the issue of new Ordinary shares in San Leon. Hutton Poland Limited own the remaining 25% of the three LLPs. In 31 December 2015, the Company made a decision to exit the South Prabuty, Olesnica and Wielun concession. Therefore, the Company's investments in the South Prabuty, Olesnica and Wielun joint ventures were fully impaired.

(ii) In January 2013, San Leon acquired 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. SNGN Romgaz S.A. own 30% of both Energia Torzym Sp. Z o.o Spk. and Energia Cybinka Sp. Z o.o. Spk. with Sceptre Oil and Gas Limited owning the remaining 25% of both entities. At 31 December 2015, the Company decided it was not going to pursue its interest in the Torzym and Cybinka licences and fully impaired them in 2015.

In December 2016, Sceptre transferred its interest in Energia Torzym Sp. Z o.o. Spk to Energia Torzym Sp. z o.o., and paid Energia Torzym Sp. z o.o. €102,393 in settlement of any obligations that Sceptre had to the partnership, with Energia Torzym Sp. z o.o. taking on the partnership obligations related to the interest assigned. The only obligation the partnership has at year end is decommissioning costs, which have been fully provided for in the financial statements.

At the same time Sceptre also transferred its interest in Energia Cybinka Sp. Z o.o. Spk to Energia Cybinka Sp. z o.o., and paid Energia Cybinka Sp. z o.o. €6,607 in settlement of any obligations that Sceptre had to the partnership, with Energia Cybinka Sp. z o.o. taking on the partnership obligations related to the interest assigned. There are no decommissioning costs associated with the partnership.

(iii) See Note 4 for more detail on the sale of TSH Energy Joint Venture B.V. and Poznan Energy B.V.

(iv) In 2016, in line with the Company's strategy to focus on cash flow from appraisal and development, the Company transferred its remaining interest in Aurelian Petroleum S.R.L. to TDE in satisfaction of all liabilities to the partnership at the time.

(v) During the year the Company acquired a 40% non-controlling interest in Midwestern Leon Petroleum Limited as part of the OML 18 Production Arrangement transaction. Full details of the OML 18 Production Arrangement are set out in Note 17(i).

13. Equity accounted investments continued

2016

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

	Olesnica LLP (i)	South Prabuty LLP (i)	Wielun LLP (i)	Energia Torzym Sp. Z o.o. Spk (ii)	Energia Cybinka Sp. Z o.o. Spk (ii)	Poznan Energy B.V. (iii)	TSH Energy Joint Venture B.V. (iii)	Aurelian Petroleum s.r.l. (iv)	Midwestern Leon Petroleum Limited (v)	Total
Equity Interest	75%	75%	75%	70%	70%	35%	35%	50%	40%	

	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	–	–	–	–	–	–	–	–	–	**–**
Profit / (loss) from continuing operations	(1)	(1)	(1)	(11,170)*	(4,006)*	–	–	–	76,378	**61,199**
Other comprehensive income	–	–	–	–	–	–	–	–	–	**–**
Total comprehensive income	(1)	(1)	(1)	(11,170)	(4,006)	–	–	–	76,378	**61,199**
Non-current assets	962	853	799	–	–	–	–	–	188,497	**191,111**
Current assets (excluding cash)	1	1	1	4	2	–	–	–	196,887	**196,896**
Cash	1	1	1	69	9	–	–	–	–	**81**
Non-current liabilities	–	–	–	–	–	–	–	–	(181,304)	**(181,304)**
Current liabilities	(983)	(863)	(811)	(11,448)	(4,140)	–	–	–	(18,128)	**(36,373)**
Net assets / (liabilities)	(19)	(8)	(10)	(11,375)	(4,129)	–	–	–	185,952	**170,411**
Group's interest in net assets of investee at 1 January 2016	–	–	–	–	–	1,375	10,000	–	–	**11,375**
Share of profit / (loss)	–	–	–	–	–	–	–	–	12,217	**12,217**
Group's interest in net assets of investee at end of year	–	–	–	–	–	1,375	10,000	–	12,217	**23,592**
Acquisition of interests#	–	–	–	–	–	–	–	–	57,471	**57,471**
Advances / (repayments)	–	–	–	–	–	3	50	–	–	**53**
Disposals	–	–	–	–	–	(1,378)	(10,050)	–	–	**(11,428)**
Foreign exchange	–	–	–	–	–	–	–	–	4,694	**4,694**
Carrying amount of interest in investee at 31 December 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	74,382	**74,382**

* The impairment recognised at group level in 2015 was in relation to the investment in the partnership. The partnership has recognised the impairment of the exploration and evaluation assets in 2016; the only third party obligations the partnership has at year end is the decommissioning liabilities which have been fully provided for in the financial statements.

\# Equity investment of €27.5 million plus bargain purchase of €30.0 million (Note 3).

13. Equity accounted investments continued

2015

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

	Olesnica LLP (i)	South Prabuty LLP (i)	Wielun LLP (i)	Energia Torzym Sp. Z o.o. Spk (ii)	Energia Cybinka Sp. Z o.o. Spk (ii)	Poznan Energy B.V. (iii)	TSH Energy Joint Venture B.V. (iii)	Joyce Investments Sp. Z o.o.	Maryani Investments Sp. Z o.o.	Aurelian Petroleum s.r.l.	Total
Equity Interest	75%	75%	75%	45%	45%	35%	35%	50%	50%	50%	
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Total comprehensive income	(10)	(3)	(2)	(7)	(7)	–	–	–	–	–	(29)
Non-current assets	982	870	813	10,592	3,846	17,180	77	813	813	–	35,986
Current assets (excluding cash)	34	13	36	366	17	603	38,071	36	36	6	39,218
Cash	1	1	–	7	3	–	–	–	–	159	171
Current liabilities	(1,035)	(893)	(859)	(11,143)	(3,959)	(347)	(1,075)	(859)	(859)	(8,962)	(29,991)
Net assets / (liabilities)	(18)	(9)	(10)	(178)	(93)	17,436	37,073	(10)	(10)	(8,797)	45,384
Group's interest in net assets of investee at 1 January 2015	7,082	2,684	5,482	2,212	1,497	427	25,099	–	–	–	44,483
Share of loss	(8)	(2)	(2)	(3)	(3)	–	–	–	–	–	(18)
Group's interest in net assets of investee at end of year	7,074	2,682	5,480	2,209	1,494	427	25,099	–	–	–	44,465
Other adjustments	–	–		(64)	(182)	55	206	–	–	–	15
Advances / (repayments)	219	125	163	146	290	893	279	–	–	–	2,115
Impairment	(7,293)	(2,807)	(5,643)	(2,291)	(1,602)	–	(15,584)	–	–	(8,025)	(43,245)
Transfers from exploration and evaluation assets	–	–	–	–	–	–	–	–	–	8,025	8,025
Transfers from other assets	–	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange	–	–	–	–	–	–	–	–	–	–	–
Carrying amount of interest in investee at 31 December 2015	–	–	–	–	–	1,375	10,000	–	–	–	11,375

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 Venture Agreements requiring the approval of both parties to the Joint Venture Agreement in respect of all operating decisions.

The Directors 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

14. Property, plant, and equipment – Group

	Plant, & equipment €'000	Assets under construction €'000	Office equipment €'000	Motor vehicles €'000	Total €'000
Cost					
At 1 January 2015	5,340	8,506	1,126	467	15,439
Additions	–	514	–	–	514
Disposals	–	–	(40)	(39)	(79)
Currency translation adjustment	12	–	–	–	12
At 31 December 2015	5,352	9,020	1,086	428	15,886
Transfer to intangible assets (Note 12)	–	(9,020)	–	–	(9,020)
Additions	2,719	–	–	–	2,719
Disposals	–	–	(24)	(27)	(51)
Currency translation adjustment	(178)	–	(7)	(9)	(194)
At 31 December 2016	**7,893**	**–**	**1,055**	**392**	**9,340**
Depreciation					
At 1 January 2015	3,445	–	837	325	4,607
Disposals	–	–	–	–	–
Charge for the year	839	–	118	48	1,005
Currency translation adjustment	8	–	–	–	8
At 31 December 2015	4,292	–	955	373	5,620
Disposals	–	–	(24)	(27)	(51)
Charge for the year	528	–	83	36	647
Currency translation adjustment	(142)	–	(6)	(7)	(155)
At 31 December 2016	**4,678**	**–**	**1,008**	**375**	**6,061**
Net book values					
At 31 December 2016	**3,215**	**–**	**47**	**17**	**3,279**
At 31 December 2015	1,060	9,020	131	55	10,266

Assets under construction related to the Group's Oil Shale Project in Morocco. The Directors have considered the classification of 'assets under construction' and made the decision to transfer the carrying value to 'Intangible assets' as the project is not yet at the stage of development and is still being evaluated.

14. Property, plant, and equipment – Company

	Assets under construction €'000	Office equipment €'000	Total €'000
Cost			
At 1 January 2015	8,510	437	8,947
Additions	514	–	514
At 31 December 2015	9,024	437	9,461
Adjustment to income statement	(4)	–	(4)
Transfer to intangible assets (Note 12)	(9,020)	–	(9,020)
At 31 December 2016	**–**	**437**	**437**
Depreciation			
At 1 January 2015	–	317	317
Charge for the year	–	87	87
At 31 December 2015	–	404	404
Charge for the year	–	33	33
At 31 December 2016	**–**	**437**	**437**
Net book values			
At 31 December 2016	**–**	**–**	**–**
At 31 December 2015	9,024	33	9,057

15. Other non-current assets

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Deposits on Spanish oil and gas concession applications (i)	**160**	736	**–**	–
Deposits on Spanish oil and gas concessions (i)	**97**	97	**–**	–
	257	833	**–**	–

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
At 1 January	**833**	833	**–**	–
Deposits returned (i)	**(557)**	–		
Impairment	**(19)**	–	**–**	–
At 31 December	**257**	833	**–**	–

(i) The deposits paid are recoverable on completion of work programmes attached to each of the concessions. In 2016 the Ministry returned €556,908 to the Company in relation to oil and gas concession applications that were withdrawn by the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

16. Financial assets – Company

	2016 €'000	2015 €'000
Investment in subsidiary undertakings at cost:		
Balance at beginning of year	**48,122**	146,386
Investment in San Leon Energy Nigeria B.V.	**27,545**	–
Impairment during the year (i)	**(28,629)**	(98,264)
Balance at end of year	**47,038**	48,122

(i) The impairments to the Company's investment in subsidiary undertakings recorded in 2016 and 2015 reflect the write down in the carrying value of the Group's exploration and evaluation assets in each year.

At 31 December 2016, the Company had the following principal subsidiaries, all of which are wholly owned through holding all of the issued ordinary shares of the entities:

Name	Registered Office
Directly held:	
San Leon Energy B.V.	Kabelweg 37, 1014 BA, Amsterdam, 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 Energy 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, Canada
0921642 B.C. Unlimited Liability Company	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8, Canada
Aurelian Oil & Gas Limited	84 Brook Street, London, W1K 5EF, United Kingdom
San Leon Energy Nigeria B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Energy (Iraq) Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
Indirectly held:	
Baltic Oil and Gas Sp. Z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Vabush Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Braniewo Energy Sp. Z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Novaseis Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Helland Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
San Leon Services Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
San Leon Czersk Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Aurelian Oil and Gas Poland Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Cybinka Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Torzym Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Kalisz Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o. Spk.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Bieszczady Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Gora Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Liesa Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
T.K. Exploration Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Gdansk Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Szczawno Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland

16. Financial assets – Company continued

Name	Registered Office
Prusice Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Kotlarka Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
San Leon Durresi B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Morocco B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Offshore Morocco B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Tarfaya Shale B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Seisquest B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Adriatiku B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Braniewo Energy B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Canada Limited (formerly Realm Energy International Corporation)	Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8, Canada
Realm Energy Operations Corporation	Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8, Canada
Realm Energy (BVI) Corporation	Walkers Chambers, 171 Main Street, Road Town, Tortola, BVI
Realm Energy International Coopteratief U.A.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Realm Energy International Holding B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Realm Energy European Investments B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Frontera Energy Corporation S.L.	Paseo Maria Agustin, 4-6, Esc 3. Piso 4, Zaragoza, 5004, Spain
San Leon Wielun B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Olesnica B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon South Prabuty B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Energy (UK) Limited	84 Brook Street, London, W1K 5EF, United Kingdom
AOG Finance Limited	84 Brook Street, London, W1K 5EF, United Kingdom
Balkan Explorers (Bulgaria) Limited	84 Brook Street, London, W1K 5EF, United Kingdom

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.

17. Financial assets

Group	**OML 18 Production Arrangement (i) €'000**	**Barryroe 4.5% net profit interest (ii) €'000**	**Quoted shares (iii) €'000**	**Unquoted shares (iv) €'000**	**Total €'000**
Cost					
At 1 January 2015	–	42,123	412	5,360	47,895
Fair value movement	–	4,895	(237)	–	4,658
At 31 December 2015	–	47,018	175	5,360	52,553
Additions	136,583	–	–	–	136,583
Finance income	8,843	–	–	–	8,843
Disposals	–	–	(139)	–	(139)
Exchange rate adjustment	7,958	–	–	–	7,958
Fair value movement	–	1,499	46	–	1,545
At 31 December 2016	**153,384**	**48,517**	**82**	**5,360**	**207,343**
Current	**37,727**	**–**	**–**	**–**	**37,727**
Non-current	**115,657**	**48,517**	**82**	**5,360**	**169,616**

17. Financial assets continued

Company	OML 18 Production Arrangement (i) €'000	Barryroe 4.5% net profit interest (ii) €'000	Quoted shares (iii) €'000	Unquoted shares (iv) €'000	Total €'000
Cost					
At 1 January 2015	–	–	412	5,360	5,772
Additions	–	39,198	–	–	39,198
Fair value movement	–	7,820	(237)	–	7,583
At 31 December 2015	–	47,018	175	5,360	52,553
Additions	136,583	–	–	–	136,583
Finance income	8,843	–	–	–	8,843
Disposals	–	–	(139)	–	(139)
Exchange rate adjustment	7,958	–	–	–	7,958
Fair value movement	–	1,499	46	–	1,545
At 31 December 2016	**153,384**	**48,517**	**82**	**5,360**	**207,343**
Current	**37,727**	**–**	**–**	**–**	**37,727**
Non-current	**115,657**	**48,517**	**82**	**5,360**	**169,616**

(i) OML18 Production Arrangement

The Company secured an initial 9.72% indirect economic interest in OML 18 Production Arrangement, onshore Nigeria for a total consideration of €169 million (US$188.4 million).

The fair value assessment of the loan notes as referred to below is calculated as follows:

	2016 €'000	2015 €'000
Total consideration (US$188.4 million)	**169,032**	–
Fair value of loan notes attributable to equity investment (US$30.9 million)#	**(27,545)**	–
Net fair value of loan notes (US$157.5 million)	**141,487**	–
Arrangement fees (US$5.5 million) (Note 6)	**(4,904)**	–
Additions	**136,583**	–

The fair value of loan notes attributable to the equity investment is calculated using a discount factor of management's estimate of a market rate of interest of 8% above the coupon rate of 17% over the term of the loan notes.

The Company undertook a number of steps to effect the purchase of its interest in the OML 18 Production Arrangement in 2016. Midwestern Leon Petroleum Limited (MLPL), a company incorporated in Mauritius of which San Leon Nigeria B.V. has a 40% shareholding, was established as a special purpose vehicle to complete the transaction by purchasing all of the shares in Martwestern Energy Limited (Martwestern), a company incorporated in Nigeria. Martwestern holds a 50% shareholding in Eroton Exploration and Production Company Limited (Eroton), a company incorporated in Nigeria and the operator of the OML 18 Oilfield.

17. Financial assets continued

To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed €156.6 million (US$174.5 million) in incremental amounts by issuing Loan Notes under a Loan Note Instrument which attracts a coupon of 17 per cent. Midwestern Oil and Gas Company Limited is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its Placing in September 2016, San Leon Energy PLC purchased all of the outstanding Loan Notes issued of €103.7 million (US$115.5 million) and subscribed for further €52.9 million (US$58.9 million) of newly issued loan notes and is therefore the beneficiary and holder of all Loan Notes issued by MLPL. SLE will be repaid the full €156.6 million (US$174.5 million) plus the 17% coupon once certain conditions have been met and using an agreed distribution mechanism. SLE is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, but the Loan Note repayments must take priority over any dividend payments made to the MLPL shareholders.

Through its 50% shareholding in Eroton and other agreements, Martwestern holds an initial indirect 24.3% economic interest in the OML 18 Production Arrangement. Through the ownership of MLPL and other commercial agreements, SLE is an indirect shareholder of Eroton, and the Company holds a 9.72% initial economic interest in OML 18.

The key information relevant to the fair value of the Loan Notes is as follows:

Valuation technique	Significant unobservable inputs	Inter-relationships between the unobservable inputs and fair value measurement
Discounted cash flows	– Discount rate 25% based on a market rate of interest of 8% above the coupon rate of 17% – MLPL profitability i.e. ability to generate cash flows for repayment – Loan Notes are repayable in full by 31 March 2020.	The estimated fair value would increase / (decrease) if: – US Dollar exchange rate increased / (decreased)

The recoverability of the group and company's equity and loan note investments in the MLPL (OML 18 Production) arrangement is dependent on the ability of the OML 18 operator, Eroton, to make distributions. Eroton needs to meet certain conditions before its lenders will allow Eroton to make distributions to its shareholders. These distributions need to be made to enable MLPL repay interest and principal to San Leon. At the balance sheet date and at the date of approval of their financial statements these conditions have not been met by Eroton. The directors of San Leon have considered the carrying amounts of the loan notes and equity interest at 31 December 2016 and are satisfied that these are appropriate.

(ii) Barryroe – 4.5% Net Profit Interest (NPI)
The Directors have estimated the fair value of the NPI by reference to a third party evaluation report of contingent resources and cash flows prepared by Netherland Sewell & Associates Inc. (NSAI) in July 2013 for Providence Resources Plc ("Providence").

NSAI reported that the Basal Wealden oil reservoir has an estimated 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. In July 2013, NSAI also 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 US$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 website.

Further information has also been made available regarding the revised development plan or development costs which are key inputs into the valuation model.

17. Financial assets continued

As San Leon is 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 NSAI report, when coupled with other information released by Providence and adopted for certain changes in the market, gives the basis for the best estimate of fair value at year end.

With the increase in the oil price since the lows of early 2016 and an increase in farm-out activity, San Leon is confident of the asset value ascribed to Barryroe.

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 NSAI in July 2013 as released by Providence Resources Plc and internal management assumptions / amendments based on a net present value of future cash flows model.	– Oil production of 261MM BBL over the life of the field on a successful development of the 2C contingent resources case – Life of field expected to be 24 years – Oil price over the period is assumed to be US$40/bbl – Opex is discounted by 30% relative to original economic model, and capex by 40% to reflect market conditions – Discount rate 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)

(iii) Amedeo Resources plc
During 2016, the Company sold 398,738< ordinary shares in Amedeo Resources plc for cash consideration of €139,219. At 31 December 2016, the Company hold 313,512< ordinary shares with a market value of €82,389 (2015: €174,678).

< Adjusted for share consolidation of 1 for 100 in Amedeo Resources plc.

(iv) Ardilaun Energy Limited
As part of the consideration for the sale of Island Oil & Gas Limited to Ardilaun Energy Limited ("Ardilaun") in 2014. Ardilaun agreed to issue shares equivalent to 15% of the issued share capital of Ardilaun. The original fair value of the 15% interest in Ardilaun was based on a market transaction in Ardilaun shares. The Directors have considered the carrying value of this interest at 31 December 2016 and are satisfied that the carrying value continues to be appropriate in the absence of further market data.

(v) Poznan 1% Net Profit Interest
Please see Note 4 for further details.

18. Inventory

	Group 2016 €'000	Group 2015 €'000	**Company 2016 €'000**	Company 2015 €'000
Spare parts and consumables	**253**	329	**–**	–

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

19. Trade and other receivables

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Amounts falling due within one year:				
Trade receivables from joint operating partners	**19**	196	**243**	686
Amounts owed by group undertakings (i)	**–**	–	**2,718**	649
VAT and other taxes refundable	**894**	927	**(12)**	51
Other debtors (ii)	**8,368**	5,151	**–**	832
Prepayments and accrued income	**2,209**	272	**3,078**	1,890
	11,490	6,546	**6,027**	4,108

(i) Amounts owed by Group's undertakings are interest free and repayable on demand with the exception of amounts due from the Polish subsidiaries which are repayable on demand and subject to a market rate of interest from the date the loan was advanced.

(ii) Other debtors includes €4.3 million (US$4.5 million) due from Palomar for the disposal of equity accounted investments detailed in Note 4. Other material amounts are disclosed in Note 33 (b).

20. Other financial assets

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Restricted cash at bank	**1,328**	1,370	**–**	84

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
At 1 January	**1,370**	1,335	**84**	182
Cash return	**(84)**	(99)	**(84)**	(99)
Foreign exchange differences	**42**	134	**–**	1
At 31 December	**1,328**	1,370	**–**	84

Restricted cash at bank at 31 December 2016 is a deposit account held in support of bank guarantees required under the Moroccan exploration licence, Zag, held by the Group.

After the reporting period, in April 2017, the Company announced that the Office National des Hydrocarbures et des Mines ("ONHYM") has written to the Company regarding the non-performance of the work programme on its Zag Licence, onshore Morocco. ONHYM has assumed control of the existing bank guarantee (listed above as restricted cash), and has requested a penalty of the same amount again to be paid. The Zag licence is in a geographical area which the Company believes justifies a declaration of force majeure due to the regional security situation. The Directors are confident, given their belief in the force majeure status of the licence, with the recoverability of the bank guarantee and that the penalty cannot be enforced. The company is in negotiations with ONHYM regarding the future of the licence including the week programme, and the force majeure status.

21. Cash and cash equivalents

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Cash and cash equivalents	**177**	913	**1**	572

22. Held for sale assets and liabilities

During 2016 efforts to sell, relinquish, or farm-out most of the Company's assets in Poland commenced as part of the strategic realignment and focus on Nigeria. This process is substantially underway and it is anticipated that sale and purchase agreements will be concluded in the second half of 2017 with regard to the held for sale assets, following which various formalities will have to be concluded, in particular with governmental authorities, before completion, expected in 2018.

The assets and liabilities that are up for sale in Poland are as follows:

	Group 2016 €'000	Group 2015 €'000
Assets:		
Exploration and evaluation assets (Note 12)	**2,553**	–
Liabilities:		
Decommissioning provision (Note 26)	**1,000**	–

Held for sale assets and liabilities are reported under the operating segment 'Poland' in Note 2.

During the year the held for sale exploration and evaluation assets were impaired by €2,861,100, in order to reduce their carrying value to fair value less costs to sell.

There are no other income or expenses related to the held for sale assets.

23. Trade and other payables

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Current				
Trade payables	**7,432**	10,618	**2,448**	4,025
Amounts owed to group undertaking (i)	**–**	–	**25,741**	28,178
PAYE / PRSI	**211**	306	**31**	80
Other creditors	**1,270**	1,437	**1,262**	107
Accruals	**2,038**	2,020	**1,112**	556
Director's Loan (Note 32)	**347**	202	**347**	202
	11,298	14,583	**30,941**	33,148

(i) Amounts owed to Group undertakings are interest free and repayable on demand with the exception of amounts due from the Polish subsidiaries which are repayable on demand and subject to a market rate of interest from the date the loan was advanced.

24. Derivative

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Non-current				
Derivative (Note 6)	**255**	–	**255**	–
	255	–	**255**	–

In 2016, San Leon issued 750,000 warrants to LPL Finance Limited with an exercise price of £0.45 for a period of 7 years. 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 £0.45 – Option strike price of £0.45 – Average maturity of 7 years – Risk-free interest rate of 0.1% – Share price volatility of 70%	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)

25. Loans and borrowings

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Current				
YA Global Masters SPV Limited (i)	**4,273**	3,318	**4,273**	3,318
LPL Finance Limited (ii)	**2,010**	1,022	**2,010**	1,022
Other	**–**	438	**–**	438
	6,283	4,778	**6,283**	4,778

(i) In 2014, the Company received a loan of €3,035,765 (US$3.2 million) from YA Global Masters SPV Limited with an arrangement fee of €758,941 (US$800,000).

(ii) In 2016, the Company received a loan of €1,868,766 (Stg £1.6 million) from LPL Finance Limited. This loan was repaid in 2017.

(iii) Oisín Fanning has personally guaranteed the loan from LPL Finance Limited and YA Global Masters SPV Limited. See Note 32 for further details.

26. Provisions for liabilities

Group	Decommissioning €'000	Arbitration €'000	Other €'000	Total € 000
At 1 January 2016	4,291	20,561	1,355	**26,207**
Paid during the year	–	(2,231)	(705)	**(2,936)**
Provision during the year	274	3,628	1,125	**5,027**
Exchange rate adjustment	–	–	89	**89**
Transfer of decommissioning liability (Note 4)	(1,809)	–	–	**(1,809)**
Transfer to liabilities held for sale (Note 22)	(1,000)	–	–	**(1,000)**
At 31 December 2016	**1,756**	**21,958**	**1,864**	**25,578**
Current	**476**	**21,958**	**1,864**	**24,298**
Non-current	**1,280**	**–**	**–**	**1,280**
At December 2015	4,291	20,561	1,355	26,207
Current	415	–	1,355	1,770
Non-current	3,876	20,561	–	24,437

Decommissioning

The provision for decommissioning costs is recorded at the value of the expenditures expected to be required to settle the Group's future obligations on decommissioning of previously drilled wells. As part of the sale of TSH and Poznan to Palomar, €1.8 million of the decommissioning provision was transferred with the sale.

Arbitration

On 7 November 2016, Avobone N.V. and Avobone Poland B.V. ("Avobone") (together, "Avobone") and the Company settled a number of ongoing disputes between them and between Avobone and certain of San Leon's subsidiaries, including Aurelian Oil & Gas Limited, Aurelian Oil & Gas Poland Sp. z.o.o, Energia Zachod Holdings Sp. z.o.o and AOG Finance Limited, in Poland, Netherlands, Ireland, England & Wales in respect of various matters including a final award in an ICC arbitration dated 21 May 2015. The total settlement amounts to €23.3 million plus interest to be paid to Avobone. Interest will accrue at a rate of 5% per annum on instalments until paid.

As announced by San Leon on 5 June 2017 an Extension Agreement was entered into with Avobone along with a revised payment schedule in respect of sums owed to Avobone.

A payment of €8,175,000 (inclusive of an extension fee) has been made during 2017 so far.

Further payments are due as follows:
- During October 2017, San Leon shall pay to Avobone, a further sum of €8,000,000
- During November 2017, San Leon shall pay to Avobone, a further sum of €6,694,840

A total payment of €22,869,840 is now expected during 2017 (inclusive of extension fees and interest since the 31 December 2016) approximately adding an additional €0.9 million to the provision.

Other

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.

In Q1 2017 the amount provided at 31 December 2016 was fully paid in cash to the shareholders.

27. Share capital – Group and Company

	Number of New Ordinary shares €0.01 each 'm	Number of Deferred Ordinary shares €0.0001 each '000	Authorised equity €'000
Authorised equity			
At 1 January 2016	15,500,000,000	1,265,259	155,000
At 31 December 2016	**15,500,000,000**	**1,265,259**	**155,000**

Issued, called up and fully paid:

	Number of New Ordinary shares €0.01 each	Number of Deferred Ordinary shares €0.0001 each 'm	Number of Ordinary shares €0.05 each	Share capital €'000	Share premium €'000
At 1 January 2015	–	–	2,535,572,680	126,779	164,100
Issue of shares	–	–	17,295	1	1
Consolidation and subdivision	25,355,899	1,265,259	(2,535,589,975)	–	–
Issue of shares for cash	36,250,000	–	–	363	40,801
Issue of adviser shares	203,153	–	–	2	224
At 31 December 2015	**61,809,052**	**1,265,259**	**–**	**127,145**	**205,126**
Issue of shares for cash	378,400,000	–	–	3,784	194,926
Issue of shares in lieu of salary	2,816,668	–	–	28	1,451
At 31 December 2016	**443,025,720**	**1,265,259**	**–**	**130,957**	**401,503**

On 21 September 2016, the Company issued 378,400,000 €0.01 New Ordinary Shares as a cash equity placing.

Costs directly attributable to the equity placing amounted to €1,974,311. These costs have been recognised as a deduction from equity.

2,816,668 ordinary shares were issued to Oisín Fanning in lieu of 80% of his salary due to him for the period 1 January 2015 to 31 August 2016. 1,167,485 ordinary shares for the year to 31 December 2015 and 1,649,485 ordinary shares for the period 1 January 2016 to 31 August 2016.

28. Reserves

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.

Fair value reserve
The fair value reserve comprises the cumulative net charge in the fair value of financial assets until the assets are derecognised or impaired.

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for the year ended 31 December 2016

29. 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. The maximum term for options is seven years. There are no cash settlement alternatives. 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 now governs all awards of share options. 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 ordinary shares. Historic options 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 Black-Scholes simulator analysis where appropriate. The charge for the year is €9,536,000 (2015: €4,541,000) which includes the charge for the shares to be issued to Oisín Fanning in lieu of salary.

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

	2016		2015	
	Number of options / warrants	**Weighted average exercise price**	Number of options / warrants	Weighted average exercise price
Balance at beginning of the financial year	**10,017,043**	**£2.29**	1,904,739	£12.70
Granted during the year	**31,439,405**	**£0.35**	2,500,000	£0.64
Expired during the financial year	**(37,975)**	**£8.20**	(514,739)	£11.09
Effect of modification during the financial year	**292,499**	**£9.52**	6,127,043	£1.75
Balance at end of the financial year	**41,710,972**	**£0.873**	10,017,043	£2.29
Exercisable at end of the financial year	**40,176,773**	**£0.721**	9,368,844	£1.72

The range of exercise prices of outstanding options / warrants at year end is £0.25 – £35.00 (2015: £0.60 – £35.00).

The weighted average remaining contractual life for options / warrants outstanding at 31 December 2016 is 5.03 years (2015: 4.43 years).

No options or warrants were exercised in the current or previous year.

29. Share based payments continued

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 2016 and 2015:

	2016	2015
Weighted average fair value of options granted during year	**£0.22**	£0.34
Weighted average share price of options at date of grant	**£0.35**	£0.64
Dividend yield	**0%**	0%
Expected volatility	**70%**	65%
Risk-free interest rate	**1.0% - 1.7%**	1.1% - 1.7%
Expected option life	**7 years**	7 - 10 years
Expected early exercise %	**0%**	0%
Model used	**Black-Scholes model**	Black-Scholes model

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.

30. Commitments and contingencies

(a) Operating leases

Commitments under non-cancellable operating leases are as follows:

Group	Leasehold Property 2016 €'000	Total 2016 €'000	Total 2015 €'000
Payable:			
Within one year	1,037	**1,037**	1,302
Between one and five years	3,263	**3,263**	4,563
Over five years	511	**511**	697
	4,811	**4,811**	**6,562**

Company	Leasehold Property 2016 €'000	Total 2016 €'000	Total 2015 €'000
Payable:			
Within one year	300	**300**	369
Between one and five years	1,200	**1,200**	1,476
Over five years	198	**1,981**	244
	1,698	**1,698**	**2,089**

30. Commitments and contingencies continued

(b) Exploration, evaluation and development activities
The Group has commitments of approximately €1.5m (2015: €5.2m) in the year ended 31 December 2017 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

(c) Security for loans
Oisín Fanning has personally guaranteed the loan from LPL Finance Limited and YA Global Masters SPV Limited. See Note 32 for further details.

(d) The directors believe that ongoing litigations regarding non-performance on licences, which could result in penalties, will be successfully defended and will not have significant impact on the financial position of the Group.

31. Deferred tax

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

	Assets		Liabilities		Net	
Group	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000
Exploration and evaluation assets	**–**	–	**–**	–	**–**	–
Financial assets – net profit interest	**–**	–	**(15,416)**	(14,922)	**(15,416)**	(14,922)
Tax losses recognised	**8,084**	5,836	**–**	–	**8,084**	5,836
	8,084	5,836	**(15,416)**	(14,922)	**(7,332)**	(9,086)

	2016 €'000	2015 €'000
At 1 January	**(9,086)**	(12,199)
Expense for the year recognised in the income statement (Note 10)	**2,248**	4,728
Deferred tax on fair value movements in financial assets	**(494)**	(1,615)
At 31 December	**(7,332)**	(9,086)

	Assets		Liabilities		Net	
Company	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000
Financial assets – net profit interest	**–**	–	**(15,416)**	–	**(15,416)**	–
Tax losses recognised	**7,789**	–	**–**	–	**7,789**	–
	7,789	–	**(15,416)**	–	**(7,627)**	–

Unrecognised deferred tax asset

	2016 €'000	2015 €'000
Tax losses	**13,582**	10,276
Capitalised expenditure	**29,812**	27,652
	43,394	37,928

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.

32. Related party transactions

Mr. Oisín Fanning

Property
The Company holds an option to acquire a property at market value from Mr. Fanning. The option has a remaining life of ten years and the option fee of €350,394 (Stg £300,000) is included in other receivables (Note 19) and is refundable when the Company either exercises or terminates the option. Mr. Fanning was paid €111,448 (£96,638) 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.

Loan
A summary of the movement in Mr. Fanning's loan balance is set out below:

	€'000
At 1 January 2016	(202)
Expenses incurred on behalf of the Company not yet reimbursed	(177)
Repayments during the year	60
Sums received from a UK-based institution for the company	257
Sums paid to the Company on behalf of a UK-based institution	(257)
Net director's fees due	(53)
Exchange rate adjustment	25
At 31 December 2016	**(347)**

At 31 December 2016 Mr. Fanning was owed €346,493 by the Company.

Oisín Fanning has personally guaranteed the loans from LPL Finance Limited and YA Global Masters SPV Limited referred to in Note 25. Both loans remain outstanding at 31 December 2016.

Green Corporate Finance Limited
San Leon Energy Plc and Green Corporate Finance Limited have a common Director, Daniel Martin. The Company has a legal services agreement with Green Corporate Finance Limited which was paid €107,300 in 2016 (2015: €161,438). Daniel Martin resigned as a Director of the Company on 21 September 2016.

Surplan Limited
The Company and Surplan Limited have a common Director, Raymond King. The Company have a consultancy agreement with Surplan Limited which was paid €156,000 in 2016 (2015: €149,976). Raymond King is the sole Director and shareholder of Surplan Limited.

Discovery Energy Limited
The Company and Discovery Energy Limited have a common Director, Ewen Ainsworth. Discovery Energy Limited was paid €20,320 in 2016 (2015: €Nil). There were two invoices issued one prior to re-admission (€7,629) and one further invoice post re-admission (€12,691). Ewen Ainsworth is the sole Director and shareholder of Discovery Energy Limited.

Palomar Natural Resources (Netherlands) B.V.
On the 18 November 2016, the Company announced the sale of its (i) 35% interest in TSH Energy Joint Venture B.V. (TSH) and (ii) 35% interest in Poznan Energy B.V. (Poznan) to Palomar Natural Resources (Palomar). This divested the Company's interest in the Rawicz and Siekierki fields. A 10% net profit interest is retained in the Poznan assets. Further details of this transaction are provided in Note 4. Palomar is regarded as a related party as it already held the remaining interest in both TSH and Poznan.

32. Related party transactions continued

Toscafund Asset Management LLP

Toscafund Asset Management LLP (Toscafund) is a related party on the basis of its substantial shareholding in San Leon Energy plc and the substantive transactions which the parties entered into during 2016 and as more fully described below detailing the purchase of the indirect interest in the OML 18 Production Arrangement.

OML 18 Production Arrangement Transaction

On the 22 January 2016 SLE announced a binding letter of intent to acquire an initial indirect 9.72% interest in OML 18, an onshore mining lease in Nigeria.

To effect the purchase of the interest in the OML 18 Production Arrangement, Midwestern Leon Petroleum Limited (MLPL) was duly incorporated in Mauritius as a special purpose vehicle to complete the transaction, of which San Leon Energy Nigeria BV became a 40% shareholder. Midwestern Oil and Gas Company Limited (Midwestern) is the other shareholder of MLPL with a 60% interest.

MLPL purchased all of the shares in Martwestern Energy Limited (Martwestern), a company incorporated in Nigeria. Martwestern holds a 50% shareholding in Eroton Exploration and Production Company Limited (Eroton), a company incorporated in Nigeria and the operator of the OML 18 Oilfield. Bilton Energy Limited (Bilton) is the other 50% shareholder in Eroton.

To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed €156.6 million (US$174.5 million) by issuing Loan Notes under a Loan Note Instrument which attracts a coupon of 17%. Toscafund subscribed for €103.7 million (US$115.55 million) of these Loan Notes and was entitled to a €2.7 million (US$3 million) underwriting fee along with 10,000,000 warrants in SLE priced at £0.25 exercisable at the date of issue for 7 years. Toscafund set off amounts due under the Loan Notes inclusive of the underwriting fee and interest in exchange for the issue of 216,563,634 ordinary shares of €0.01 in SLE as part of the placing in September 2016. Similarly SLE used proceeds from the September 2016 placing to subscribe for a further €52.9 million (US$58.95 million) of newly issued loan notes in MLPL and is the sole Noteholder of the €156.6 million (US$174.5 million) Loan Notes (Note 17).

In the first instance payment of principal and interest due under the Loan Notes is dependent on Eroton making dividend payments to Martwestern which in turn makes dividend payments to MLPL. MLPL will use the receipt of dividends to make Loan Note repayments to SLE. There are various undertakings, guarantees and security in place by Eroton, Martwestern and MLPL with regard to the Loan Notes as more fully described below. In addition, Toscafund originally had various Loan Note securities as described below and following the transfer/ assignment is now to the benefit of SLE.

The Loan Notes have been secured with undertakings by both Eroton and Martwestern, including not to take any action within their control which would result in default by MLPL, and to act honestly and in good faith. In addition, to the extent practicable and subject to law, use commercially reasonable efforts to declare dividends in order that MLPL can satisfy its obligations under the Loan Note instrument.

32. Related party transactions continued

The shares held by MLPL in Martwestern have also been pledged as security to the obligations under the Loan Notes.

During 2016 San Leon Energy Nigeria BV pledged security over its assets to Toscafund. At that time Toscafund was the holder of Loan Notes. This security is now held by SLE.

Midwestern and Mart Resources Limited jointly and severally guaranteed the payment of the Loan Notes following a default and to make immediate payment and performance of all obligations to holders of the Loan Note.

SLE is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, but the Loan Note repayments must take priority over dividend payments made by MLPL to shareholders with a minimum 65% cash sweep of available funds for a period of four years in order to redeem the Loan Notes.

There are shareholders agreements which govern the relationship between Midwestern and SLE, and Bilton and Martwestern regulating the rights and obligations with respect to MLPL, Martwestern and Eroton. These agreements cover the appointment of directors and unanimous approval for major decisions.

A Master Services Agreement exists which entitles San Leon Energy Nigeria BV to provide specific services to Eroton and Midwestern for their activities.

Further extensive details can found on the Company's website which contains a copy of the Admission Document for the placing to raise €198.7 million (£170.3 million) at: http://www.sanleonenergy.com/media/2491705/admission_document_2016.pdf

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

	2016 €'000	2015 €'000
Salary and emoluments	**1,459**	820
Bonuses	**1,034**	–
Shares to be issued in lieu of salary	**277**	992
Shares issued in lieu of salary	**601**	–
Fees	**262**	195
Pension	**121**	96
Share based payment expense	**2,525**	119
Consultancy services	**284**	311
	6,563	2,533

Company
Transactions with subsidiaries
The Group has a related party relationship with its subsidiaries and associates. The Company and its subsidiaries and associates, in the ordinary course of business, enter into various sales, purchase and service transactions with joint operations in which the Group has a material interest. These transactions are under terms that are no less favourable to the Group than those arranged with third parties.

At 31 December 2016, the Company is owed €125.1 million (2015: €120.7 million) by its subsidiaries in respect of funds advanced to and expenses discharged by the Company on their behalf. An impairment provision of €122.4 million (2015: €120 million) against these debts has been provided for in the year. The Company owes €25.7 million (2015: €28.2 million) to subsidiaries in respect of funds received by and services provided to the Company.

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33. Financial instruments and financial risk management

The Group and Company's principal financial instruments comprise the OML 18 Production Arrangement loan note receivables, trade receivables, available for sale financial assets, other financial assets, trade payables and cash and cash equivalents.

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 17
- 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 risk 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 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 2016 and 2015, the Group did not utilise either forward currency contracts or other derivatives to manage foreign currency risk.

At 31 December 2016, the Group's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €'000	Denominated in US$ €'000	Denominated in PLN €'000	Denominated in CAD €'000	Denominated in MAD €'000
Financial assets – OML 18 Production Arrangement (Note 17)	–	153,384	–	–	–
Financial assets – Barryroe 4.5% net profit interest (Note 17)	–	48,517	–	–	–
Financial assets – Quoted shares (Note 17)	82	–	–	–	–
Trade and other receivables (Note 19)	1,107	6,396	242	2	691
Trade and other payables (Note 23)	(3,214)	(2,168)	(873)	(87)	(434)
Provisions (Note 26)	–	–	(1,756)	(1,864)	–
Loans and borrowings (payable within one year) (Note 25)	(2,141)	(4,273)	–	–	–
Cash and cash equivalents (Note 21)	9	14	76	5	1
Other financial assets (Note 20)	–	1,328	–	–	
Total 2016	**(4,157)**	**203,198**	**(2,311)**	**(1,944)**	**258**

33. Financial instruments and financial risk management continued

At 31 December 2015, the Group's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €'000	Denominated in US$ €'000	Denominated in PLN €'000	Denominated in CAD €'000	Denominated in MAD €'000
Trade and other receivables (Note 19)	250	2,329	416	3	697
Trade and other payables (Note 23)	(2,262)	(4,668)	(1,132)	(616)	(1,287)
Provisions (Note 26)	–	–	–	(1,356)	–
Loans and borrowings (payable within one year) (Note 25)	(1,459)	(3,318)	–	–	–
Cash and cash equivalents (Note 21)	–	5	169	7	557
Other financial assets (Note 20)	–	1,286	84	–	–
Total 2015	**(3,471)**	**(4,366)**	**(463)**	**(1,962)**	**(33)**

At 31 December 2016, the Company's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €'000	Denominated in US$ €'000	Denominated in PLN €'000	Denominated in CAD €'000	Denominated in MAD €'000
Financial assets – OML 18 Production Arrangement (Note 17)	–	153,384	–	–	–
Financial assets – Barryroe 4.5% net profit interest (Note 17)	–	48,517	–	–	–
Financial assets – Quoted shares (Note 17)	82	–	–	–	–
Trade and other receivables (Note 19)	978	2,127	–	–	–
Trade and other payables (Note 23)	(3,250)	(1,489)	(174)	(45)	–
Loans and borrowings (payable within one year) (Note 25)	(2,141)	(4,273)	–	–	–
Cash and cash equivalents (Note 21)	–	–	–	–	1
Financial assets	–	–	–	–	–
Total 2016	**(4,331)**	**198,266**	**(174)**	**(45)**	**1**

At 31 December 2015, the Company's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €'000	Denominated in US$ €'000	Denominated in PLN €'000	Denominated in CAD €'000	Denominated in MAD €'000
Trade and other receivables (Note 19)	827	2,301	–	–	–
Trade and other payables (Note 23)	(26,833)	(365)	(715)	(553)	(5)
Loans and borrowings (payable within one year) (Note 26)	(1,459)	(3,318)	–	–	–
Cash and cash equivalents (Note 25)	45	49	9	–	557
Financial assets	–	–	84	–	–
Total 2015	**(27,420)**	**(1,333)**	**622**	**553**	**552**

33. Financial instruments and financial risk management continued

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

	2016 Average rate	**2016 Closing rate**	2015 Average rate	2015 Closing rate
Sterling	**0.8195**	**0.8562**	0.7259	0.7340
US Dollars	**1.1069**	**1.0541**	1.1095	1.0877
Polish Zloty	**4.3632**	**4.4103**	4.1841	4.2639
Canadian Dollars	**1.4659**	**1.4188**	1.4777	1.5116
Moroccan Dirhams	**10.8323**	**10.6436**	10.8597	10.7647

Sensitivity analysis

If the Euro increased by 1% in value against the above currencies, the Group's profit for the year would decrease and equity at year end would increase by €1,931,117. 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 decrease and equity at year end would decrease by €1,917,974. 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, cash and cash equivalents and the OML 18 Production Arrangement.

Within trade and other receivables are three material amounts owed, one for €4.27 million (US$4.5 million) from Palomar due on the 1 October 2017, another for €3 million with a debtor which is currently in dispute and past due for over a year, and €1.89 million due once Irish governmental approvals are obtained and the Ardilaun transaction completes, which is expected shortly. For other items within 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. No amounts in trade and other receivables have been impaired during 2016 and management believes that the existing sums are still collectable.

The OML 18 Production Arrangement comprises the €156.6 million (US$174.5 million) Loan Notes as detailed in Note 17. The credit risk is managed via various undertakings, guarantees, pledge of security over assets and the use of dividends paid to MLPL to prioritise payment of sums due under the Loan Notes. This is more fully described in Note 32. Given the size and quality of the OML 18 oil and gas asset the main credit risk is regarded as the timing of payments by MLPL which is dependent on dividend distributions by Eroton rather than being unable to pay the total quantum due under the Loan Notes. As at the 31 December there was one unimpaired payment due under the Loan Notes of €19,518,653 (due 1 October 2016).

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.

33. Financial instruments and financial risk management continued

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

	2016 € 000	2015 € 000
Euro	**72**	16
Sterling	**9**	–
US Dollar	**14**	5
Polish Zloty	**76**	169
Canadian Dollar	**5**	7
Moroccan Dirhams	**1**	557
Romanian Lei	**–**	159
Other	**–**	–
	177	913

Cash deposits held by the Company total €631 at the reporting date (2015: €572,478).

(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 2016 are due as follows:

Group	Less than 1 year €'000	One to two years €'000	Two to five years €'000	Total €'000
Trade and other payables and derivative (Note 23 & Note 24)	11,298	–	255	11,553
Loans and borrowings (Note 25)	6,283	–	–	6,283
Provisions (Note 26)	24,298	–	1,280	25,578
	41,879	**–**	**1,535**	**43,414**

Company	Less than 1 year €'000	One to two years €'000	Two to five years €'000	Total €'000
Trade and other payables and derivative (Note 23 & Note 24)	30,941	–	255	31,196
Loans and borrowings (Note 25)	6,283	–	–	6,283
	37,224	**–**	**255**	**37,479**

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

33. Financial instruments and financial risk management continued

(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.

The Loan Notes referred to in Note 17 attract a 17% fixed rate of interest and as a consequence there is no interest rate exposure.

(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 2016 and 31 December 2015. 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.

The Group net debt and equity, and the net debt to equity ratio at 31 December 2016 was as follows:

	2016 €'000	2015 €'000
Total liabilities	**51,746**	54,654
Less: cash and cash equivalents	**(177)**	(913)
Adjusted net debt	**51,569**	53,741
Total equity	**293,937**	77,063
Adjusted net debt to equity ratio	**0.18**	0.70

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 30 November 2017. 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.

(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).

33. Financial instruments and financial risk management continued

The following table sets out the carrying value of all the financial assets and liabilities held at 31 December 2016:

Group	Fair value 31 December 2016 €'000	Carrying amount 31 December 2016 €'000	Level 1 31 December 2016 €'000	Level 2 31 December 2016 €'000	Level 3^ 31 December 2016 €'000
Financial assets					
OML 18 Production Arrangement (Note 17)	153,384	153,384	–	–	–
Barryroe NPI (Note 17)	48,517	48,517	–	–	48,517
Quoted shares (Note 17)	82	82	82	–	–
Unquoted shares (Note 17)	5,360	5,360	–	–	5,360
Trade receivables* (Note 19)	20	20	–	–	–
Other financial asset* (Note 20)	1,328	1,328	–	–	–
Cash and cash equivalents* (Note 21)	177	177	–	–	–
Other debtors* (Note 19)	8,368	8,368	–	–	–
Financial liabilities					
Trade payables* (Note 23)	(7,432)	(7,432)	–	–	–
Other creditors* (Note 23)	(1,270)	(1,270)	–	–	–
Provisions (Note 26)	(25,578)	(25,578)	–	–	–
Derivative (Note 24)	(255)	(255)			
At 31 December 2016	**182,701**	**182,701**	**82**	**–**	**53,877**

* 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.

Company	Fair value 31 December 2016 €'000	Carrying amount 31 December 2016 €'000	Level 1 31 December 2016 €'000	Level 2 31 December 2016 €'000	Level 3^ 31 December 2016 €'000
Financial assets					
OML 18 Production Arrangement (Note 17)	153,384	153,384	–	–	–
Barryroe NPI (Note 17)	48,517	48,517	–	–	48,517
Quoted shares (Note 17)	82	82	82	–	–
Unquoted shares (Note 17)	5,360	5,360	–	–	5,360
Trade receivables* (Note 19)	244	244	–	–	–
Cash and cash equivalents* (Note 21)	1	1	–	–	–
Financial liabilities					
Trade payables* (Note 23)	(2,448)	(2,448)	–	–	–
Other creditors* (Note 23)	(1,262)	(1,262)	–	–	–
Derivative (Note 24)	(255)	(255)	–	–	–
At 31 December 2016	**203,623**	**203,623**	**82**	**–**	**53,877**

* 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.

33. Financial instruments and financial risk management continued

During the period ended 31 December 2016, 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 2016 and 31 December 2015, the Group and Company had no outstanding contracts designated as hedges.

34. Subsequent events

Dealing in shares
San Leon announced on the 3 July 2017 that the Company had not been able to publish its financial statements for the year ended 31 December 2016 by 30 June 2017 as required by Rule 19 of the AIM Rules for Companies (the "AIM Rules"). Dealings in San Leon's ordinary shares were therefore temporarily suspended under AIM Rule 40 from 7.30 a.m. on the 3 July 2017 until such time as the financial statements have been duly published in compliance with AIM Rule 19.

Exercise of options
On 17 January 2017, San Leon issued and allotted 3,000,000 new ordinary shares of EUR 0.01 each ("New Ordinary Shares") to Robin Management Services and 4,000,000 New Ordinary Shares of €0.01 each to DSA Investments Inc. in respect of options exercised relating to the OML 18 Production Arrangement. The options were exercised at a price of 30 pence per share.

Yorkville
San Leon has issued equity shares to YA II PN Ltd (formerly known as YA Global Master SPV Ltd), an investment fund managed by Yorkville Advisors Global LP ("Yorkville"), pursuant to a SEDA-Backed Loan Agreement, as amended ("SEDA"), which SEDA was entered into and initially announced on 18 April 2013. San Leon and Yorkville have agreed to vary the SEDA as follows (the "Settlement").

Under the Settlement, San Leon will issue 6,254,905 new ordinary shares in the Company to Yorkville at a price per share of 32 pence (the "Settlement Shares"), which shares will rank pari passu in all respects with the issued ordinary shares of the Company.

Following the issue of the Settlement Shares which occured on 21 June 2017, the Company's issued share capital will comprise 456,280,625 shares and the Company's ongoing liability to Yorkville, as at 21 June 2017 will be €2,670,918 (US$2,815,415). This remaining balance is to be repaid to Yorkville on or before 31 October 2017.

Morocco
The Office National des Hydrocarbures et des Mines ("ONHYM") has written to the Company regarding the non-performance of the work programme on its Zag Licence, onshore Morocco. ONHYM has assumed control of the existing bank guarantee (San Leon's share being €1,328,147 (US$1,400,000) – included in the financial statements as restricted cash), and has requested a penalty of the same amount again to be paid. The Company is in negotiations with ONHYM regarding the future of the licence, including the work programme. The Zag licence is in a geographical area which the Company believes justifies a declaration of force majeure due to the regional security situation.

Sidi Moussa
San Leon signed a letter of agreement dated 24 July 2017 to exit the Sidi Moussa offshore block in Morocco. Consequently it was decided to write down the investment in the 2016 financial statements with the total impairment being €6,439,337 (Note 12).

34. Subsequent events continued

Arbitration

As announced by San Leon on the 5 June 2017 an Extension Agreement was entered into with Avobone along with a revised payment schedule in respect of sums owed to Avobone.

A payment of €8,175,000 (inclusive of an extension fee) has been made during 2017 so far.

Further payments are due as follows:

- During October 2017, San Leon shall pay to Avobone a further sum of €8,000,000
- During November 2017, San Leon shall pay to Avobone, a further sum of €6,694,840

In the event that San Leon fails to make payment, Avobone shall be able, without further recourse to San Leon, immediately to execute and / or enforce a High Court Order it obtained by consent from the Commercial High Court in London, dated 16 May 2017. San Leon has also given Avobone an undertaking that if it receives payment for the sale of its shares in TSH Energy Joint Venture B.V. (being the final payment from Palomar Natural Resources for the sale by San Leon of certain assets, announced in the RNS of 18 November 2016) then San Leon, within five days of receipt of funds, shall forward such proceeds to Avobone to reduce the next payment amount due to Avobone.

Conditional offer

On 16 May 2017, the Company received a conditional offer to purchase all the entire issued and to-be-issued shares in the Company. The offeror is China Great United Petroleum (Holding) Limited ("China Great United"), which has stated that it is in the process of retaining GMP Securities as its financial advisor for the proposed transaction. China Great United signed a non-disclosure agreement on 16 May 2017 in order to discuss the Company's assets.

China Great United has proposed an indicative purchase price of approximately Stg£0.67 - Stg£0.76 per share. It states that the offer is conditional on it completing final due diligence to its satisfaction, and it expects to be in a position to make a formal offer within 45 days.

Following the end of the 45-day due diligence period San Leon anticipates an update from China Great United in the near-term. The Company will provide other updates on these dicussions as appropriate.

Potential Sale of further Polish assets

Further to a Memorandum of Understanding (MoU) dated 25 April 2017 with a third party, and subject to a Sale and Purchase Agreement, which is yet to be agreed for the potential sale of certain Polish assets, the Company received an advance of €189,735 (US$200,000) during June 2017 and was used to meet various payments in relation to the Polish assets, of which €94,868 (US$100,000) is non-refundable in the event that a Sale and Purchase Agreement is not concluded.

Financing

The Company has well established loan relationships usually lasting less than a year with various terms and conditions and parties. During 2017 additional funds have been provided to the Company using these loan relationships with a current outstanding principal of approximately €4.3 million (£4.0 million). To the extent that a short-term loan(s) become due, the Directors are confident of either extending the term or establishing a new loan if required at the time.

Resignation of Non-Executive Director

On the 6 September 2017 the Company announced the resignation with immediate effect of Mr Nick Butler as a Non-Executive Director, for further details see page 31.

35. Approval of financial statements

The Financial Statements were approved by the Board on 6 September 2017.

CORPORATE INFORMATION

Directors	Mutiu Sunmonu (Chairman) appointed 21 September 2016 Oisín Fanning (Chief Executive Officer) Paul Sullivan (Managing Director) resigned 21 September 2016 Raymond King (Non-Executive Director) Daniel Martin (Non-Executive Director) resigned 21 September 2016 Piotr Rozwadowski (Non-Executive Director) resigned 5 May 2016 Joel Price (Chief Operating Officer) appointed 21 September 2016 Alan Campbell (Commercial and Business Development Director) appointed 21 September 2016 Ewen Ainsworth (Finance Director) appointed 21 September 2016 Mark Phillips (Non-Executive Director) appointed 21 September 2016 Nick Butler (Non-Executive Director) appointed 21 September 2016, resigned 6 September 2017
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	Ulster Bank 33 College Green, Dublin 2
Solicitors	Whitney Moore Solicitors Wilton Park House, Dublin 2
Nomad and Joint Broker	SP Angel Corporate Finance LLP Prince Frederick House, 35-39 Maddox Street London W1S 2PP
Joint Stockbrokers	Whitman Howard Limited First floor, Connaught House 1-3 Mount Street London W1K 3NB Brandon Hill Capital 1 Tudor Street London EC4Y 0AH
Registrars	Computershare Investor Services (Ireland) Limited Heron House, Corrig Road Sandyford Industrial Estate, Dublin 18
Public Relations	Vigo Communications One Berkeley Street London W1J 8DJ
Registered Number	237825

GLOSSARY

2C	Best estimate of Contingent Resources
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
€'000	Euro, thousands
Group	San Leon and its subsidiaries
Island Oil & Gas	Island Oil & Gas PLC
LLP	Limited liability partnership
Ltd or limited	A private limited company incorporated under the laws of England and Wales, Scotland, certain Commonwealth countries and Ireland
m	Metres
'm	Millions
Nomad	A company that has been approved as a nominated advisor for AIM by the London Stock Exchange
NovaSeis	NovaSeis Sp. z o.o.
PLC or S.A.	A publicly held company
Providence	Providence Resources PLC
San Leon or the Company	San Leon Energy PLC
SEDA	Standby Equity Distribution Agreement
Sp. z o.o.	Polish limited liability company
Sp. z o.o. sp.k	Polish LLP
SPV	Special purpose vehicle
Yorkville	YA Global Master SPV Ltd

Reserves

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'
Gross	Reserves before deduction of royalty
Net	Reserves after royalty plus royalty interest

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

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