OML 18: INTO YEAR 2 OF A WORLD-CLASS ASSET

SAN LEON ENERGY

San Leon Energy plc
Annual Report and Accounts
2017

INTRODUCTION

OCTOBER 13, DAWN: In a fishing village on the Niger River Delta, a fisherman starts his long working day, under the lights of oil refineries in the distance. The Niger River Delta is vast enough and rich enough to feed both.

"THE SECRET OF GETTING AHEAD IS GETTING STARTED"

(MARK TWAIN)

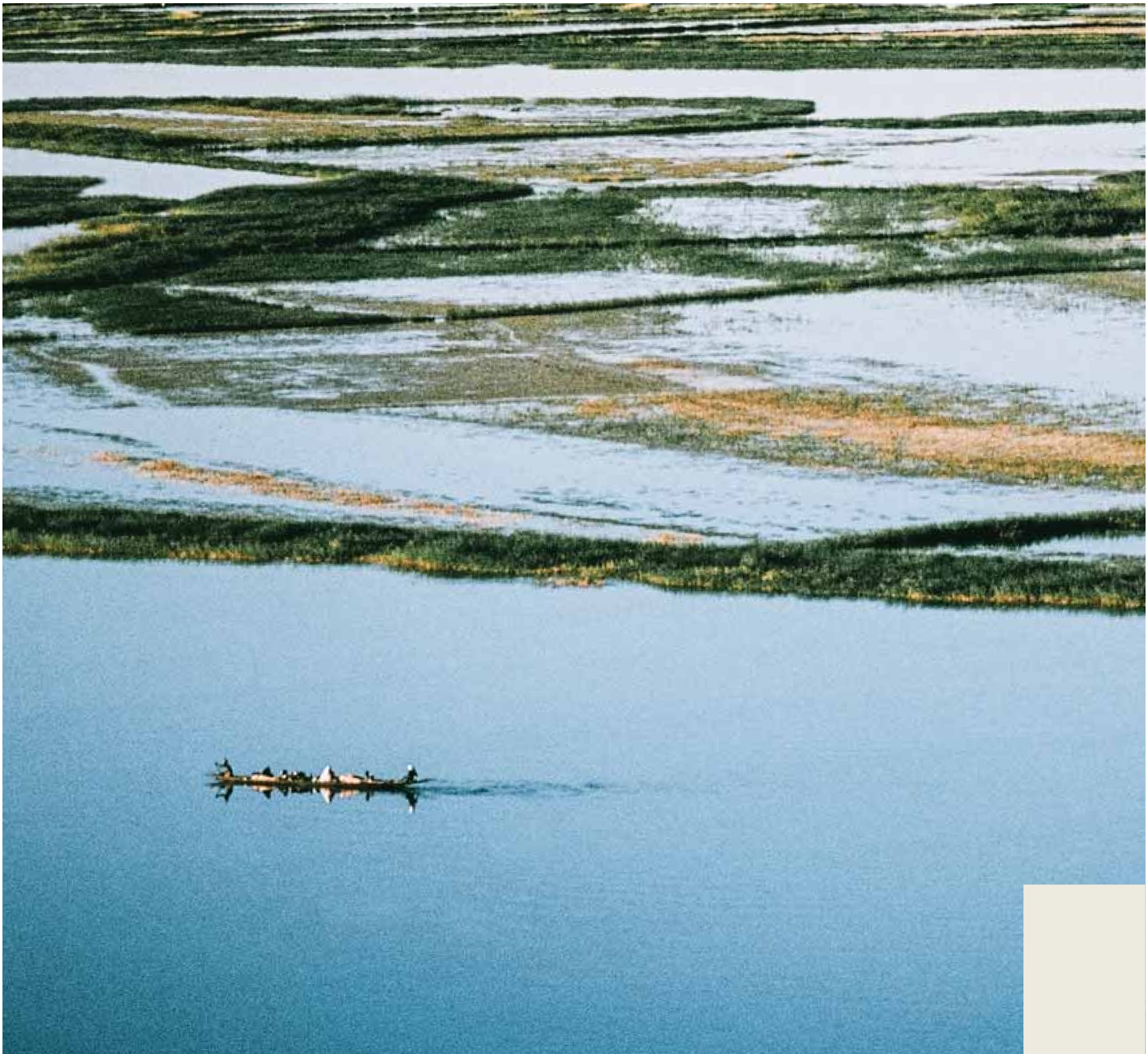
A world-class asset. The start of cash flow. A new export and storage project. 2017 saw San Leon move into the second year of its involvement with developing Oil Mining Lease 18 ("OML 18") onshore Nigeria.

INTRODUCTION

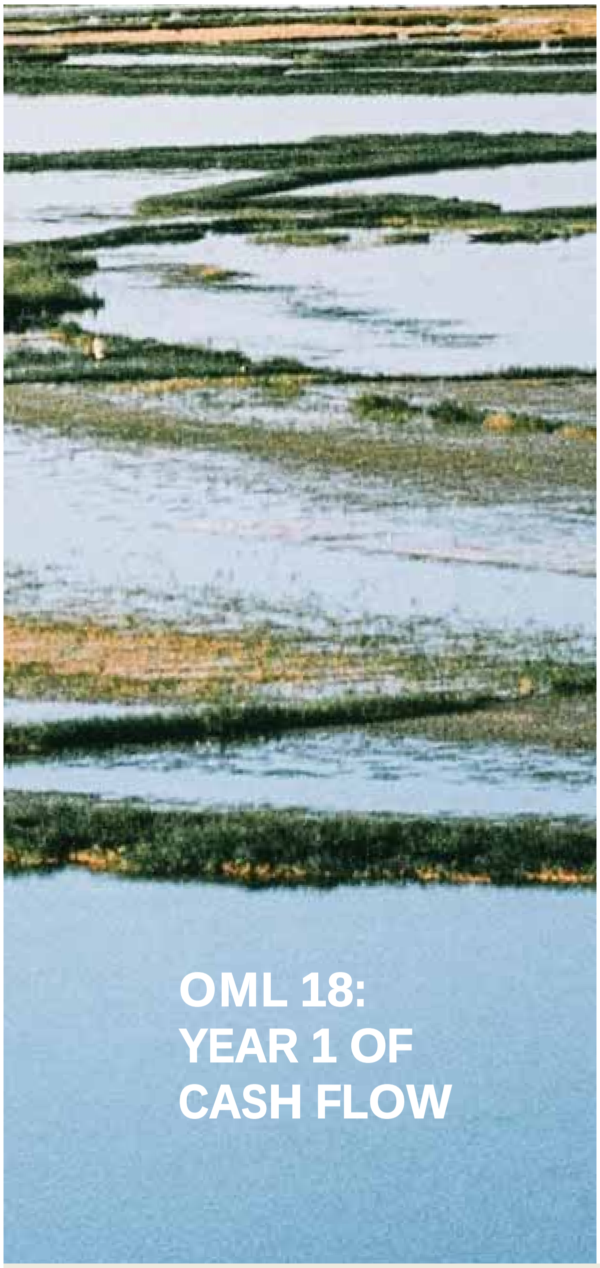
MARCH 19, NOON: OML 18 is a world-class oil and gas block in the Southern Niger Delta. Larger than the country of Bahrain, OML 18 has over one thousand square kilometres of energy resources and infrastructure.

Production at OML 18 has continued uninterrupted by any on-block security issues in 2017.

INTRODUCTION

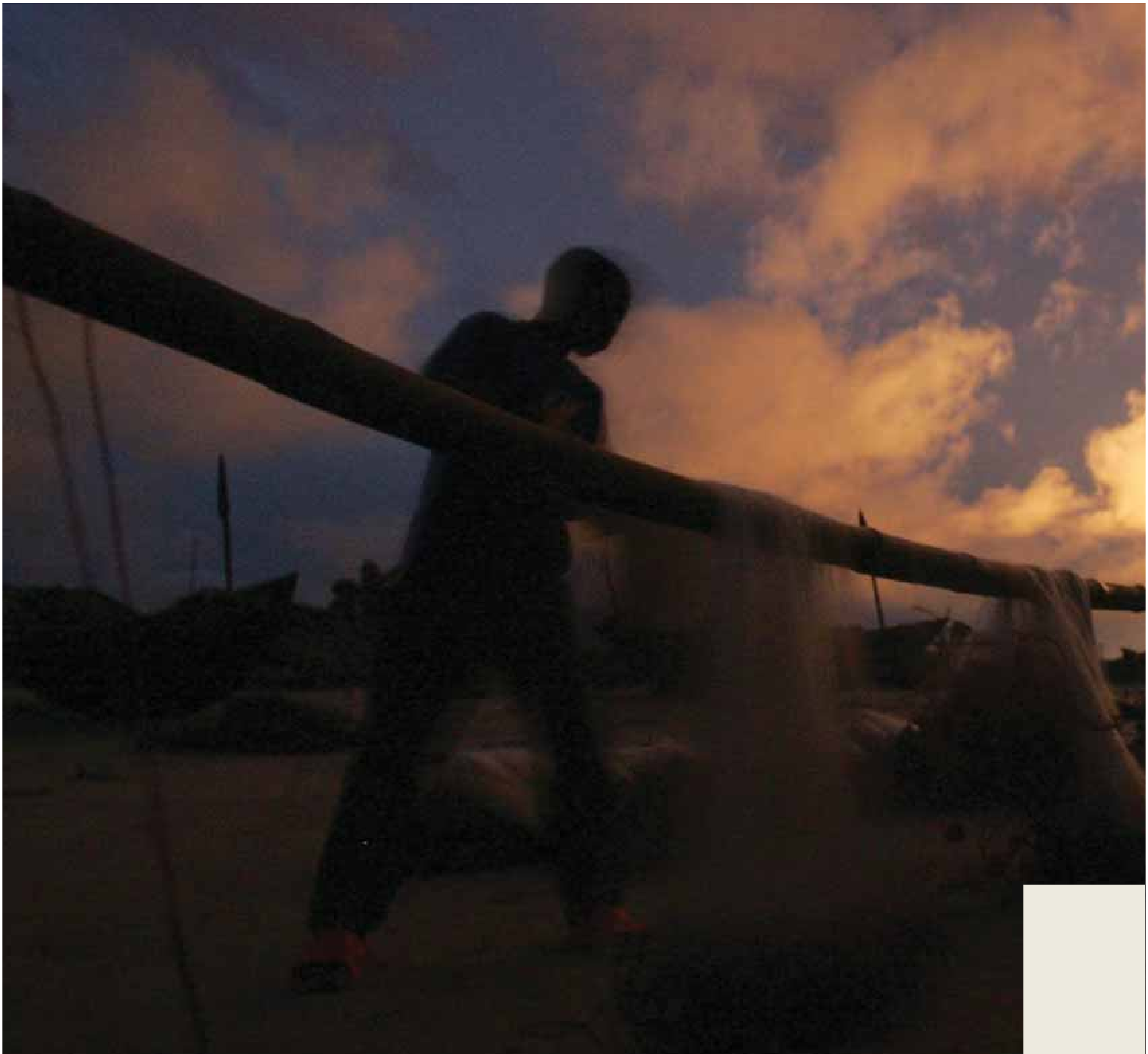


MARCH 18, EARLY MORNING: A boat floats downstream in the Niger River delta



2017 marked the start of regular cash flow for San Leon from its OML 18 investment – with a flow of nearly $19 million per quarter with other quarterly payments due to continue through to 2020.

San Leon also expects in due course to receive cash flow from its initial indirect 9.72% economic interest in OML 18, and from its rights under its Master Services Agreement to provide certain operational services to Eroton Exploration and Production Company Limited, the operator of OML 18.



OCTOBER 13, DAWN: In a fishing village on the Niger river delta,
a fisherman prepares his nets before a long fishing day.

OML18: PROGRESS ON PIPELINE

The new oil export and storage project has progressed from concept to development planning.

Once completed, this new pipeline – serving OML 18 and supplying a new offshore floating storage facility – is expected to substantially improve OML 18's downtime and pipeline losses performance.

This report includes forward-looking statements. Whilst these forward-looking statements are made in good faith, they are based upon the information available to San Leon Energy plc at the date of this report and upon current expectations, projections, market conditions and assumptions about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group and should be treated with an appropriate degree of caution.

San Leon: We are a progressive oil and gas company, independent and fast-moving. We strive to secure and develop high-potential asset opportunities in Africa and Europe, our key asset being our indirect interest in OML 18 – a world-class asset onshore Nigeria.

For San Leon, 2017 was:

- Continuation of involvement with developing OML 18 via the Company's indirect shareholding in Eroton Exploration and Production Company Ltd, the operator of OML 18
- Year 1 of cash flow from our 2016 transaction
- The year when the new oil export and storage project on OML 18 progressed from concept to development planning.

OVERVIEW

STRATEGIC REPORT

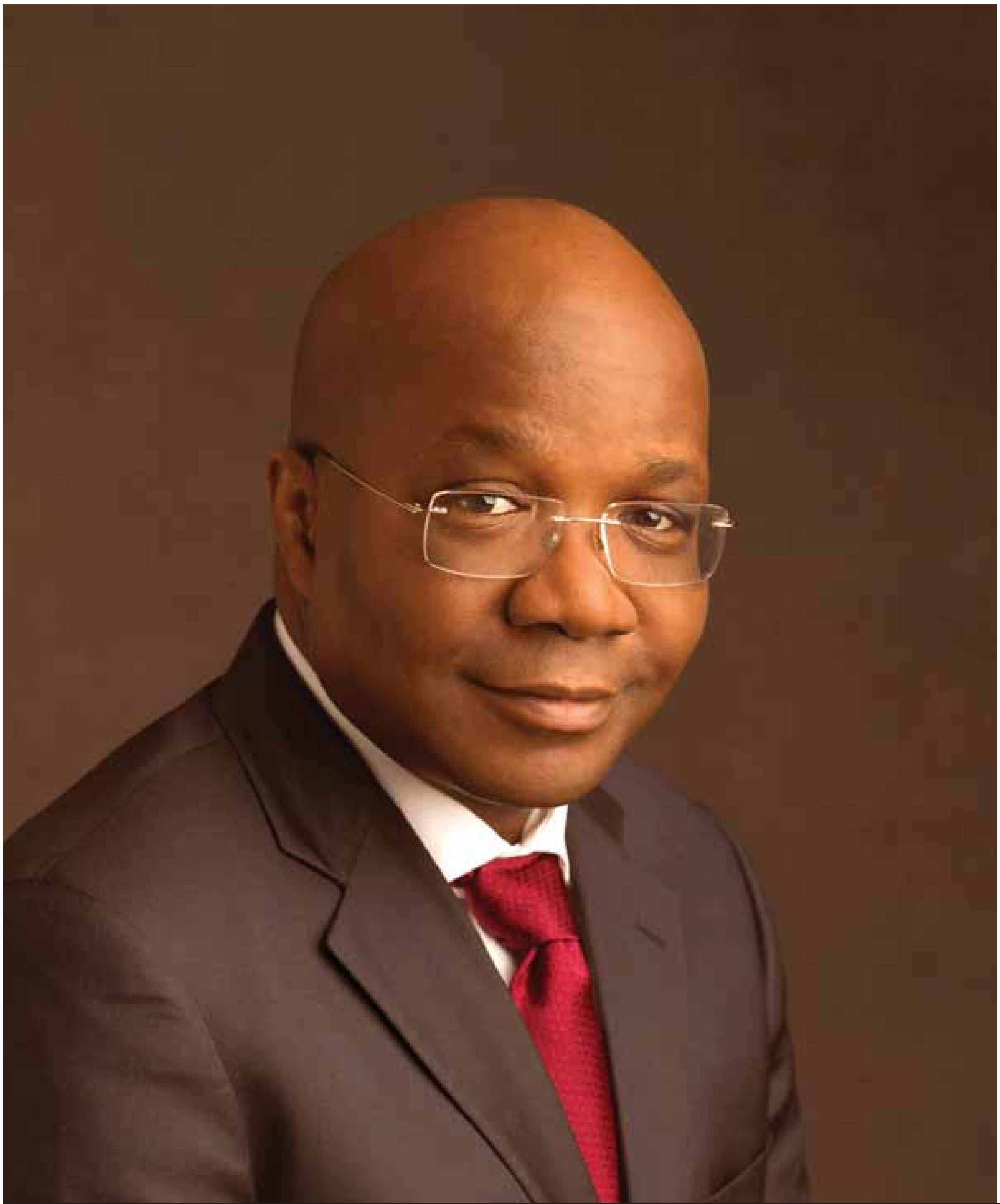
We are committed to securing cash flow for our shareholders. In this section we set out our strategy, the progress we have made and our current operational focus.

GOVERNANCE

We work to strict standards of governance and responsibility.

FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT



NON-EXECUTIVE CHAIRMAN Mutiu Sunmonu

OVERVIEW

2017 was the first full year of the Company's involvement in OML 18, onshore Nigeria, and the year under review was the first year of cash flow from the Company's entry into Nigeria.

The Company's cash position has significantly strengthened compared with this time last year, enabling management to focus further on yielding value from OML 18. We have exited or are exiting non-core assets and we anticipate future cash flow from:

1) Repayment of the Loan Notes.
2) Dividend payments as a consequence of holding an initial indirect 9.72% economic interest in OML 18.
3) Income from the provision of rig-based drilling and workover (and associated) services, and production services, under a Master Services Agreement ("MSA") with Eroton Exploration and Production Company Ltd ("Eroton"), the operator of OML 18.
4) 4.5% Barryroe Net Profit Interest (through potential income or a potential sale).

CORPORATE

San Leon's board took the view in 2015 that the Company needed to change its strategy, moving away from pure exploration and appraisal, and focussing on development, production and cash flow. The business climate in the industry had changed, partly as a result of lower commodity prices. It was against this background that San Leon sourced and completed its OML 18 transaction in September 2016.

1) Loan Notes repayment and interest

The Company entered into a Loan Notes agreement in September 2016 with Midwestern Leon Petroleum Limited ("MLPL"), whereby, once certain conditions have been met and using an agreed distribution mechanism, San Leon would be repaid the principal of $174.5 million (€165.6 million) plus an annual coupon of 17% through to 2020. By 31 December 2017, San Leon had received a total of $39.6 million (€34.3 million) of Loan Notes payments in order to avoid a default under the Loan Notes instruments, the start of such payments having been delayed due to the OML18 operational and external issues described in the Chief Operating Officer's report. During H1 2018, a further payment of $30.0 million was received, bringing total receipts to date to $69.6 million and leaving $165.4 million of principal and interest outstanding and payable as of 28 June 2018. Such receipts to date have been paid on behalf of MLPL due to the existence of guarantees to the Company under the Loan Notes instruments, as dividends have yet to be received by MLPL. The Company has a future receivable profile of an average of $18.1 million for H2 2018 and $16.6 million for 2019, with final quarterly payments during 2020, and the board anticipates that MLPL will continue to make these payments. San Leon has various guarantees and a share pledge in place which provide security for payments due to the Company under the Loan Notes.

CHAIRMAN'S STATEMENT

2) Indirect equity interest

Eroton is the Operator of OML 18 while San Leon has a defined partner role through its shareholding in MLPL. San Leon has appointed a senior operational consultant into Eroton to assist in the development of the OML 18 asset.

The strategy for the asset is dividend growth from the indirect equity interest, as reserves are converted into production and cash flow. No dividend has been paid by Eroton in 2017 because asset performance has not been as hoped due to funding constraints caused mainly by external factors, although there have also been some delays caused by operational issues. These operational issues are summarised below, and explained in more detail in the Chief Operating Officer's Statement.

Firstly, while underlying production from the assets has been steady at approximately 50,000 bopd, substantial production downtime, caused by problems in the third party terminal and gathering system, resulted in the majority of the approximately 20% downtime in 2017 (reducing field production effectively to 40,000 bopd). This issue is being addressed by the planned implementation of the new export pipeline and Floating Storage and Offloading ("FSO") project, and is also expected to improve overall well performance by removing the requirement to restart wells following any shut downs.

Secondly, substantial pipeline losses have been allocated to all operators by the Bonny Terminal operator. The 35% pipeline losses (reducing field oil sales further to approximately 26,000 bopd) are much larger than the 9% assumed in the Admission Document and are being disputed by Eroton, who have asked the relevant authorities to investigate. In the short term, this issue is being partially addressed by the installation of Lease Automatic Custody Transfer ("LACT") units to make sure that the OML 18 partners have fiscal metering of the oil prior to export into the gathering system. In the longer term, the export pipeline and FSO system mentioned above will provide additional control.

Finally, the Nigerian National Petroleum Corporation ("NNPC") still has significant outstanding payments due to Eroton, settlement of which would provide capital for further investment in the asset. NNPC have been paying their cash calls through 2017 and it is hoped that the improved business climate and outlook will enable settlement of the outstanding payments.

Removing the above challenges will enable greater capital allocation to production growth and support future dividends from Eroton to the Company via its initial indirect 9.72% economic interest in OML 18.

NON-EXECUTIVE CHAIRMAN Mutiu Sunmonu

The Reserves Based Lending ("RBL") conditions required for the payment of dividends by Eroton have now been met, with the exception of satisfying the amount payable to the Debt Service Reserve Account ("DSRA") and thereafter submitting audited accounts. As announced on 7 September 2017, depositing three future quarterly RBL repayments into the DSRA attached to Eroton's existing RBL facility, is one of the conditions that needs 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 varies according to the RBL amortisation schedule and is approximately $90m for much of 2018. The DSRA balance however fluctuates according to operational needs and due to some of the funding challenges experienced.

Any future payments of dividends by Eroton to Martwestern and from Martwestern to MLPL, after settlement of MLPL's Loan Notes obligations, will enable MLPL to pay dividends to its shareholders including San Leon. Given the delays in operational activity, downtime and pipeline losses, dividend payments by Eroton are not expected until the impact of the alternative export pipeline and/or the rig-based well activity have materially increased sales volumes of oil.

3) Services revenue

San Leon expects to provide the majority of the services for heavy well workovers and new well drilling on OML 18, through a new service entity under its control. The budget for doubling production from OML 18 via such operations is hundreds of millions of dollars, illustrating the potential for services income under the MSA.

4) Barryroe Net Profit Interest

The Company's 4.5% Net Profit Interest in Barryroe oil field, offshore Ireland, provides a zero cost potential future cash stream that has a carrying value of €42.6 million. Providence Resources Plc, the operator of Barryroe, has made recent progress with the announcement of a farm-out to drill three wells and is at the initial stages of development.

OTHER OPERATIONS

The Company continued its policy of reducing costs outside Nigeria and focussing on its Nigerian assets. As announced in September 2017, agreements were entered into for the sale of the majority of the Company's Polish assets, subject to certain conditions. Subject to closing of those transactions, the Company will retain material profit interests for no additional outlay to the Company. A decision was also made to relinquish Sidi Moussa, offshore Morocco, and to fully impair its other Moroccan assets due to a lack of expected activity.

The Company has applied for entry into the appraisal period of its offshore Duressi asset in Albania, for which a farm out is sought.

As a result of these decisions, impairments, write offs and provisions of €55.5 million have been recognised as set out in the financial review contained in the Chief Executive Officer's Statement. The total comprehensive loss for the year of €87.1 million is predominantly such impairment/write offs and provisions of non-Nigerian assets, and foreign exchange loss.

CORPORATE TRANSACTION ACTIVITY

The Company spent much of 2017 in a formal offer period, although in early January 2018 San Leon confirmed that such offer talks had ceased.

In November 2017 San Leon confirmed that it had received a letter from Midwestern Oil and Gas Company Limited ("Midwestern") with an indicative proposal that included San Leon acquiring Midwestern's 60% shareholding in MLPL (the "Proposal"). Through MLPL, Midwestern and San Leon are both indirect shareholders in Eroton, the operator of OML 18. Since the Proposal could have resulted in a transaction being characterised as a "reverse takeover", the Company's shares were temporarily suspended. In late April 2018, the Company announced that its Board had elected not to accept Midwestern's proposal, as it was not in the best interests of San Leon's shareholders since it did not provide a sufficient balance of added value for shareholders and certainty of near-term cash flow, and the Company's shares recommenced trading.

Settlement of outstanding obligations

In December 2017, San Leon paid the final instalment of amounts owing to Avobone N.V. and Avobone Poland B.V. (together "Avobone") in relation to Avobone's exit from the Siekierki project in Poland. This was aided by the provision to the company of a £11,000,000 convertible loan facility by funds managed by ToscaFund Asset Management LLP, which was subsequently converted into shares of the Company.

The receipt of the MLPL Loan Notes payments and the conversion of the loan facility from Toscafund into shares has put the Company in the financial position whereby many creditors at the year end have now been settled.

The Company is therefore able to progress with the planned capital reorganisation. This capital reorganisation, which has already been approved by the shareholders, requires legal work to be completed by the Company, and is subject to the confirmation of the High Court in Ireland, and will allow returns to shareholders.

NON-EXECUTIVE CHAIRMAN Mutiu Sunmonu

Appointments of non-executive Directors

Following on from the resignation of Nick Butler as a non-executive Director in September 2017, the Company subsequently appointed Linda Beal as a non-executive Director and chair of the Audit Committee in January 2018. Linda brings extensive experience of working with African oil and gas groups, African-based advisers, and corporate and asset transactions.

In May 2018 the Company appointed Bill Higgs as a non-executive Director. Bill brings considerable operational experience, including in Africa, with companies ranging from a major to smaller independents.

OUTLOOK

The Company is now in a strong financial position, with the benefit of an expected regular future income stream from its ongoing quarterly Loan Notes repayments. The Company continues to believe in its Nigerian interests, as cash flows from San Leon's indirect equity interest in OML 18, and from its service offering under the MSA, are expected in due course as the issues outlined are addressed. I look forward to updating shareholders as OML 18 developments unfold.

CHIEF EXECUTIVE OFFICER'S STATEMENT

CHIEF EXECUTIVE OFFICER Oisín Fanning

YEAR OVERVIEW

2017 was the year when the Company faced significant challenges – both financial and operational – and emerged positively in respect of the former, and with plans in place to address the latter.

FINANCIAL REVIEW

Income statement

Revenue for the twelve months to 31 December 2017 was €0.3 million compared with €0.3 million for the twelve months to 31 December 2016. San Leon generated a loss before tax of €71.3 million for the twelve months to 31 December 2017, compared with a profit before tax of €3.5 million in the twelve months to 31 December 2016. The tax charge to 31 December 2017 was €2.2 million (2016: credit of €2.2 million). The loss after tax to 31 December 2017 was €73.5 million (2016: profit of €5.7 million). Loss per share for the period is 16.18 cent per share (2016: profit of 3.42 cent per share).

Administration and Other Costs

Administration costs decreased for the 12 month period to €17.0 million (2016: €26.4 million). There were also some residual costs to finalise outstanding obligations to Avobone of €1.9 million (2016: €3.6 million) and some minor income to reduce operating costs along with a reduction in the decommissioning costs estimate amounting to €0.2 million.

Impairments/write offs and Provisions

During 2017 the Directors decided to make impairments/write offs totalling €49.1 million (2016: €9.3 million). These impairments/write offs partly relate to the intangible exploration and evaluation assets as detailed in Note 12 to the accounts being Albania €6.0 million (2016: €Nil), Morocco €28.9 million (2016:€6.4 million) and Poland €7.9 million (2016:€2.9 million). In addition, as explained in Note 22 to the accounts, due to the protracted nature of approval from the Polish authorities the Directors concluded that it is prudent to fully write off the Polish assets held for sale of €3.1 million.

Similarly, given the length of time to obtain approval for the Ardilaun transaction, as detailed in Note 17, and the 15% of Ardilaun shares still to be issued to San Leon, and the valuation of those shares when compared to other similar entities that are listed on a stock exchange, the Directors felt it prudent to carry a lower value of €2.2 million. Consequently, €3.2 million has been charged to the Income Statement in 2017.

CHIEF EXECUTIVE OFFICER'S STATEMENT

During 2017, the directors, with regard to a fee due on the Ardilaun transaction, due to the protracted nature of government approval, and the potential length of time to receive such payment in the event of approval of up to 36 months, and a debtor which is in dispute, and VAT deemed to be potentially irrecoverable in an overseas jurisdiction, in order to be prudent, fully provided for €5.3 million.

As detailed in Note 20 to the accounts €1.2 million has been provided for in the event that a bank guarantee cannot be recovered.

The directors continue to vigorously pursue the value in many of the items detailed above which have either been impaired, written-off or provided for, and expect that in due course some amounts will be collected.

Finance Income and Expense and Equity Investments

Finance expense for the 12 months to 31 December 2017 was €25.5 million (2016: €13.0 million). This is made up of €4.2 million of interest expense (2016: €4.8 million), finance arrangement fees of €2.2 million (2016: €7.9 million), foreign exchange loss of €18.9 million (2016: gain of €8.0 million) on the Loan Notes, and a fair value charge on the issue of options and warrants €0.2 million (2016: €0.3 million).

Finance income for the 12 months to 31 December 2017 was €35.1 million (2016: €16.8 million). This is made up of €34.6 million of interest income (2016: €8.8 million) on the Loan Notes and other minor interest receivable and finance extension fees €0.5 million (2016: €nil).

The loss on equity investments during 2017 was €7.1 million (2016 profit of €12.2 million) and represents the Group's 40% share in the loss of MLPL.

Balance Sheet

As set out in the Chairman's Statement the receipt of Loan Notes proceeds by San Leon and the settlement of the obligation to Avobone significantly strengthened the cash position of the Group. The cash and cash equivalents including restricted cash at 31 December 2017 amounted to €8.1 million (31 December 2016: €1.5 million). In addition the San Leon balance sheet is now focused on the principal investments being the Loan Notes, the 40% equity investment in MLPL and the net profit interest in Barryroe.

CHIEF EXECUTIVE OFFICER Oisín Fanning

COMPANY POSITION AND MARKET OVERVIEW

Our financial position has evolved since discussions with any of the various potential offerors or Midwestern commenced. With the first three quarterly payments in respect of Loan Notes received by 01 April 2018, we look forward to continued quarterly Loan Notes payments until the Loan Notes are fully repaid. Consequently, San Leon is now on a solid financial footing with a cash balance of €17 million at 28 June 2018 and all material issues with creditors and litigation behind us. I thank all shareholders, and in particular, our largest supporter, ToscaFund Asset Management LLP for their patience and support during the past year, which included a period of shares suspension arising as a consequence of our discussions with Midwestern.

I have been pleased to note the efforts made by the Nigerian administration with regard to supporting Nigerian National Petroleum Corporation ("NNPC") to become up-to-date with its historical and current financial commitments, as we approach the country's general election in February 2019. Of course, the improvement in the oil price during 2017 and into 2018 has been a boost to the country and to all those operating in it.

Finally, it was encouraging to note the passing of the first part of the Petroleum Industry Bill ("PIB"), being the Petroleum Industry Government Bill ("PIGB") through the National Assembly and Senate in 2018. We now look forward to the President signing the PIGB into law, which will help underpin investment into Nigeria. Of course we would also like to see progress of the remaining three parts of the PIB through Government.

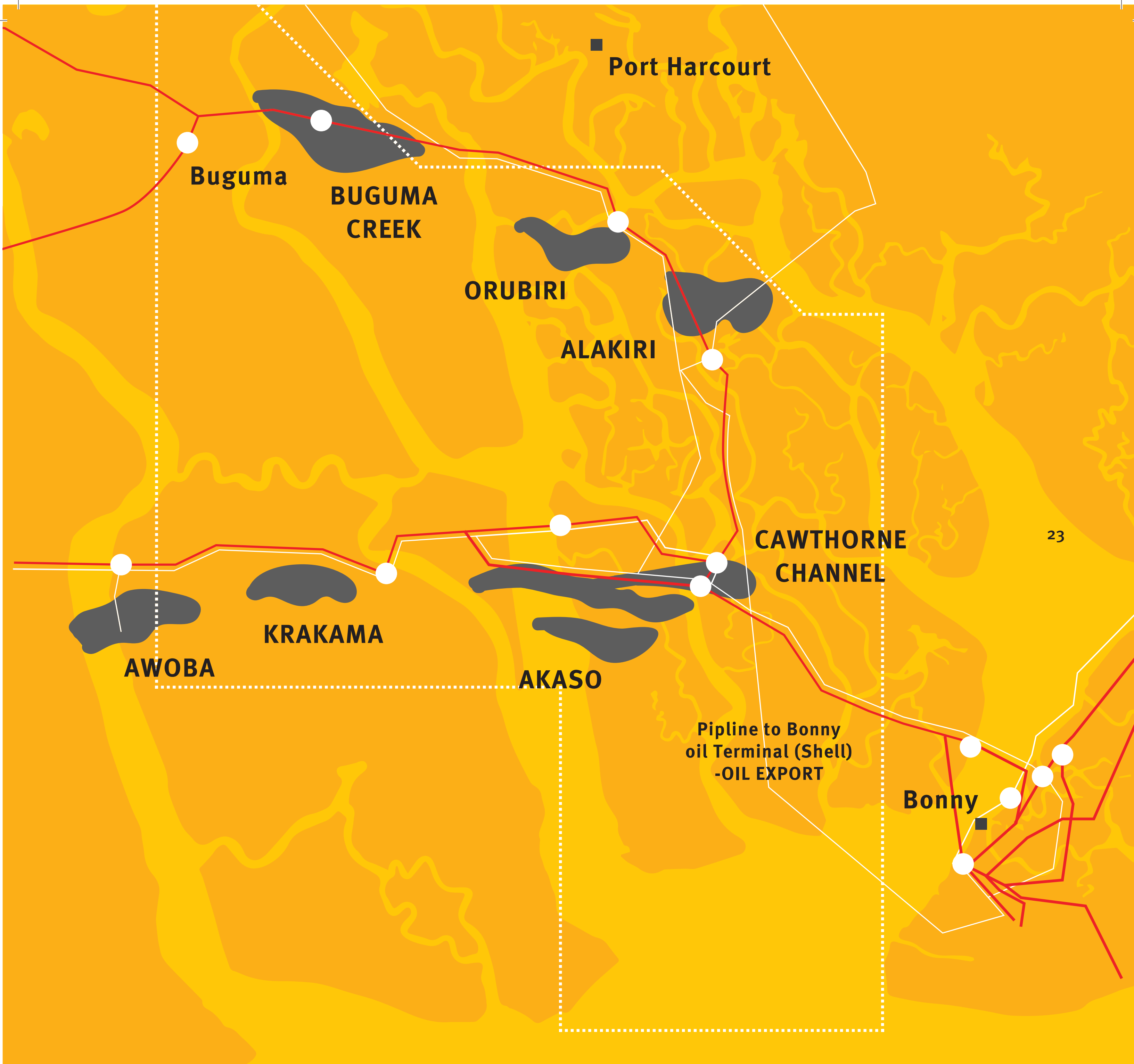
STRATEGY

Our strategy is to deliver value to shareholders as we mature our interests in Nigeria. We shall continue to strive to monetise our existing assets outside Nigeria, allowing focus on our OML 18 core area via our indirect economic interest, Loan Notes, and MSA.

OML 18: INTO YEAR 2 OF A WORLD-CLASS ASSET

LEGEND

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



2017 PROGRESS ON OML 18:

- KRAKAMA brought into production
- ALAKIRI, CAWTHORNE, AKASO:
  Field development plans submitted to NNPC
- Non-rig workovers performed

CHIEF OPERATING OFFICER'S STATEMENT

CHIEF OPERATING OFFICER Joel Price

OML 18

OML 18 is a world-class asset with substantial reserves and a CPR target gross production rate of over 100,000 bopd. From a subsurface technical perspective, the steps to achieve that are not particularly onerous – involving relatively simple workovers of existing wells, and the drilling of new wells in a prolific region with multiple stacked reservoir layers. That begs the question: why is OML 18 not yet generating more cash flow from operations?

To date, the operational cash flow on OML 18 has been affected by:

1) Slower-than-expected workover/drilling progress

2) Production downtime

3) Pipeline losses

Each factor is described below, together with the actions being taken to address them.

1) Workover/drilling progress

Non-rig workovers performed during 2017 continued to proceed less quickly than expected due primarily to downhole challenges. Undocumented debris ("fish") in the wells has been the main issue, albeit one which is expected to be overcome – and this is one of the focus areas for San Leon's senior operational manager now seconded into Eroton.

There were some challenges in execution due to the process of approvals with JV partners. Given the positive improvement in the prompt settlement of ongoing partner cash calls as described in the Chairman's Statement, Eroton expects the JV approvals process to continue to improve.

Following the 2018 budgetary planning process, the Company now expects that rig-based workovers, previously anticipated to commence in Q4 2017, will commence in Q3 2018, and new wells will be drilled commencing Q4 2018. This type of drilling activity has yielded material production gains in similar fields elsewhere in Nigeria and the Company remains confident the work will add materially to Eroton's production base. Such activity was the basis for the production gains reflected in the Company's admission document.

2) Production downtime

Tank tops and cargo shipping delays at the Bonny Terminal, as well as intermittent upstream outages on the Nembe Creek Trunk Line ("NCTL"), have resulted in material production downtime at OML 18. This accounted for the vast majority of the approximately 20% of downtime during 2017.

The proposed new export pipeline, described below, is expected to remove most of the production downtime.

3) Pipeline losses

First some definitions. The majority of operational income on OML 18 is derived from oil sales (although there is a ten-fold gas sales potential increase above the current 50 mmscf/d rate which Eroton plans to develop). **Gross oil production** is the volume of oil produced at the wellhead before it enters the export pipeline. **Net oil production** is the volume of oil deemed to be received at the Bonny terminal at the downstream end of the NCTL, the current export pipeline used to transport oil to the Bonny Terminal (and is therefore the volume actually sold). The difference between gross and net oil production is known as a **"pipeline loss"**, and accounts for metering inaccuracies and deemed theft of oil – and is applied by the operator of the Bonny terminal as a blanket percentage adjustment to all users of the NCTL.

Following the installation of new Lease Automatic Custody Transfer ("LACT") units on the NCTL line in 2016, the Bonny Terminal operator allocated an average of approximately 35% pipeline losses to all operators using NCTL for 2017 (compared with 9% assumed and documented in the Admission Document). Eroton disputes the allocation and has requested that the relevant regulatory authorities investigate the allocation of such excessive losses with a view to reallocating losses in Eroton's favour (thereby boosting the sales numbers). Those discussions are ongoing.

LACT units for OML 18 are now in Nigeria and, following commissioning and regulatory sign off, are anticipated by Eroton to be operational by the end of Q3 2018. The use of these units is expected to provide accurate measurements at the transfer point and therefore reduce the pipeline losses allocated to Eroton.

CHIEF OPERATING OFFICER Joel Price

The idea for a new export pipeline for OML 18 mentioned in last year's annual report, has now become a planned development. This pipeline would be dedicated to OML 18 and run to an offshore Floating Storage and Offloading ("FSO") system. Eroton would then not have to contend with metering issues or theft attributable to third parties, nor NCTL downtime (which is often caused by issues further upstream on that pipeline). It is therefore anticipated to realise significant advantages with respect to pipeline loss allocation and production up-time, coinciding with the expected timing of the production increases from rig-based activity.

It is clear to the Company, therefore, that the issues encountered are being dealt with. Additionally, there has been progress across the asset as detailed below.

- Production at OML 18 has continued uninterrupted by any on-block security issues in 2017. During January 2018 illegal bunkering activity caused a fire on a non-operational well on the Buguma field. This did not affect production, and there were no casualties. The fire was swiftly brought under control by Eroton without a reportable spill.
- The Krakama field was brought into production in January 2017 on schedule. Further well activity on the field has yet to commence. Current oil production from Krakama is approximately 4,500 bopd.
- The Buguma Creek field is expected online during H2 2018.
- Field development plans ("FDPs") for Akaso, Cawthorne Channel and Alakiri have been submitted for approval to the NNPC.
- Eroton is working on an updated reserves report, with an expectation of adding material oil and condensate volumes. A summary of the finalised reserves report will be communicated to shareholders once it is available and after review by the Company.
- Gas lift installation in the near-term across a number of wells is expected to provide a production boost, as well as improving the ability of those wells to restart production after any field downtime.

I look forward to updating shareholders on the continued work to boost both gross and net oil production, and unlocking OML 18's value.

IRELAND

San Leon's 4.5% Net Profit Interest (NPI) on the Barryroe oil field provides access to potential future revenue streams with no additional capital required. A CPR was produced by the operator, Providence Resources Plc ("Providence") in 2013, and in March 2018 Providence announced a farm-out agreement with a privately-owned Chinese company to drill three wells and move the field towards development. Should this farm-out agreement complete, San Leon looks forward to this development work on an asset which has a 2013 CPR 2C resource of more than 260 mmbbl.

MOROCCO

San Leon announced during 2017 its exit from Sidi Moussa (offshore). Also during 2017, L'Office Nationale des Hydrocarbures et des Mines ("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 ongoing discussions with ONHYM regarding the area, which it believes should be subject to Force Majeure due to the security situation. No activity is currently planned on any other Moroccan assets, and consequently carrying values have been written to zero in the accounts.

The assets still held by San Leon comprise:

– onshore gas appraisal (Tarfaya conventional area, with a well drilled in 2015)
– onshore oil shale (Tarfaya oil shale)
– onshore exploration (Zag).

CHIEF OPERATING OFFICER Joel Price

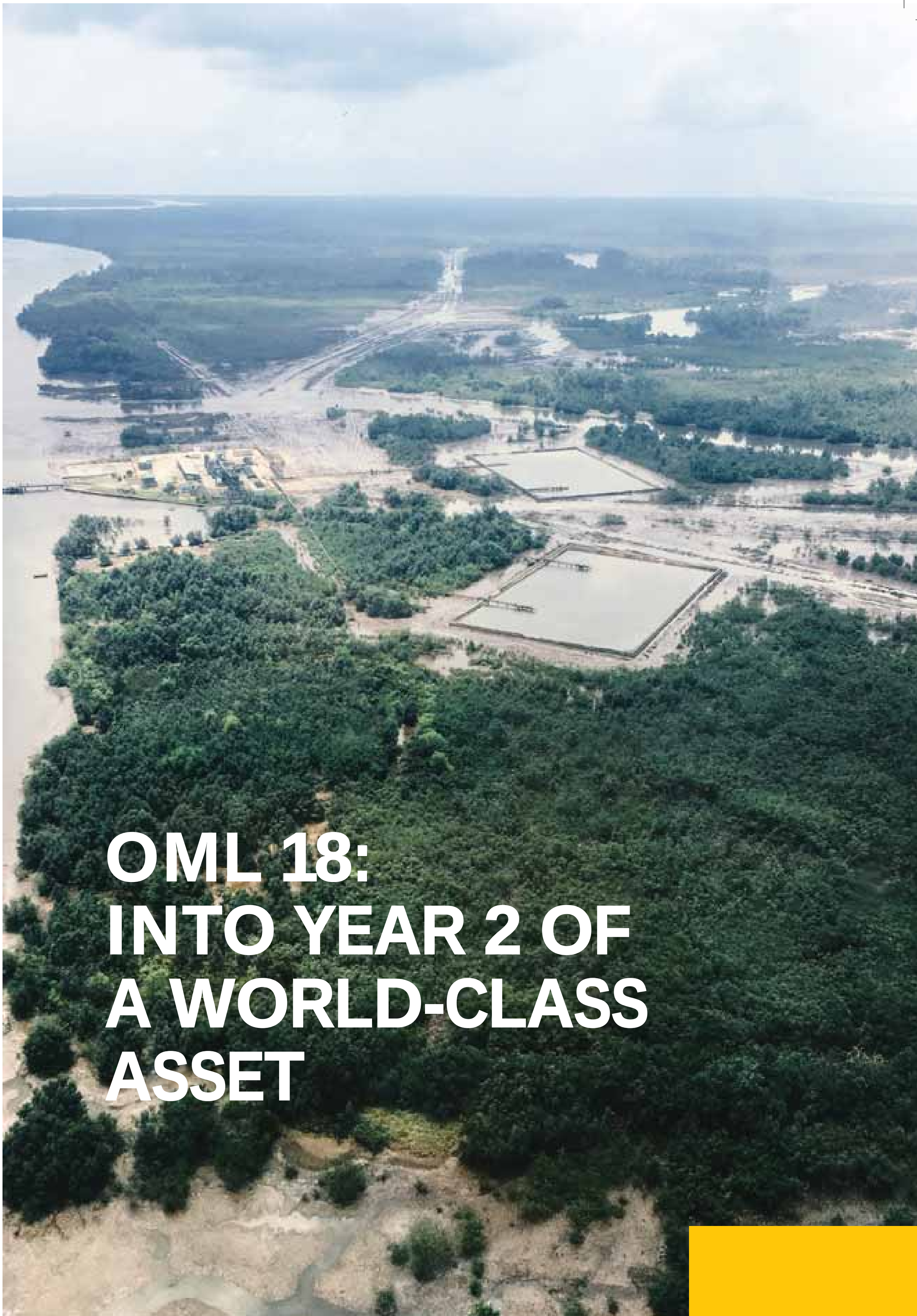
POLAND

The Company has done what it set out to do last year, monetising Polish assets on the back of increased transaction interest. Subject to the closing of two separate transactions, San Leon will retain net profit interests in a number of assets in different geological settings, which will be operated by other companies. Other Polish assets have been relinquished, or are in such process.

ALBANIA

The Durresi block is an extensive offshore area (4,200 km²) gas Albania containing the A4-1X discovery well drilled by Agip and Chevron in 1993.

San Leon acquired 840 km² of modern 3D seismic data in 2011, and continues to work on the technical side of the block while looking for a partner to take the asset through the appraisal phase by drilling a new well. Application has been made to enter the appraisal period on the asset.



OML 18:
INTO YEAR 2 OF A WORLD-CLASS ASSET

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

Oisín Fanning
Chief Executive Officer

Background and experience

Oisín has almost 30 years' experience in structured finance, stockbroking and corporate finance, with 12 years specialising in the oil and gas industry.

Formerly CEO of Astley & Pearce Ltd., MMI Stockbrokers, and Smart Telecom Plc, Oisín was closely involved with the restructuring of Dana Petroleum Plc in the early 1990s. He was also a major supporter of Tullow Oil Plc in its early growth phase.

Committee memberships

Member of Nomination Committee.

Joel Price
Chief Operating Officer

Background and experience

Joel Price is a petroleum engineer with 25 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

Background and experience

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

Background and experience

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

Background and experience

Alan has 15 years' experience in business, banking and the oil & gas industry. He has had key project management roles 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).

Linda Beal
Non-Executive Director

Background and experience

Linda was a partner at PwC LLP for 16 years specialising in the natural resources sector and was then global leader for energy and resources at Grant Thornton LLP. She has extensive experience of advising groups with African assets. She is currently a non-executive director and chair of the Audit and Risk Committee of Tax Systems plc.

Linda is a chartered accountant and holds a degree in Mathematics from Nottingham University.

Committee memberships

Chair of Audit Committee and Member of the Remuneration Committee.

Bill Higgs
Non-Executive Director

Background and experience

Bill has nearly 30 years of global exploration, development and operations experience, including over five years in executive roles for independent Exploration and Production companies including Genel Energy plc where he is Chief Operating Officer and Ophir Energy plc. He was also CEO of Mediterranean Oil and Gas where he oversaw the successful sale of the company in 2014 and previously spent 23 years at Chevron.

He is a qualified geologist with extensive expertise in all engineering and other technical and commercial aspects of hydrocarbon development and production.

Committee memberships

Chairman of Risk and Safety Committee. (appointed 13 June 2018)

Mark Phillips
Non-Executive Director

Background and experience

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.

Committee memberships

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

DIRECTORS' REPORT
for the year ended 31 December 2017

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 2017.

Principal activity and future developments

The principal activities of the company are the holding of an initial indirect 9.72% economic interest in OML 18 Nigeria, through its investment in Midwestern Leon Petroleum Limited ("MLPL") 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 and Operating Review.

Results and dividends

The Group loss for the year after providing for depreciation and taxation amounted to €73.5 million (2016: profit of €5.7 million). Net assets of the Group at 31 December 2017 amounted to €225.3 million (2016: €294.0 million). Exploration & evaluation impairments / write offs totalled €42.8 million in 2017 (2016: €9.3 million). No dividends are proposed by the Directors.

Principal risks and uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's long-term performance. The Board has overall responsibility for managing risk.

The Group's principal areas of oil and gas exploration and production activity are in Nigeria, Poland and Albania together with a Net Profit Interest on the Barryroe oil field (offshore Ireland). The Group has a management structure and system of internal controls in place designed to identify, evaluate, manage and mitigate business risk, including HSE risks. Risks are formally identified and recorded in a risk register which is reviewed by the Board and appropriate processes are in place to implement and monitor mitigating controls.

The Executive Directors are closely involved in the day to day management of the business and have oversight of all the controls the business has in place, including financial, operational (including HSE) and compliance controls, as well as overseeing risk management.

The Audit Committee, which is comprised of certain independent Non-Executive Directors, monitors and promotes high standards of integrity, financial reporting, risk management and internal control. Risks and uncertainties, which are not exhaustive, which are particularly relevant to the Company and the Group's business activities are considered to be the following:

Going concern and Loan Notes repayment

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review, concluded 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. The principal cash flows expected by the Group are interest and capital repayments on the MLPL Loan Notes and dividend income.

To date three quarterly payments totalling US$58.6 million have been made on behalf of MLPL and received by the Company when due under the terms of the Loan Notes and as at the 28 June 2018 a further US$11.0 million had been received in relation to the fourth quarterly Loan Notes payment due at the end June 2018. It has been confirmed to the Company that up to a further US$8mm will be paid on behalf of MLPL by the 30 June 2018 which will fulfil the fourth quarterly Loan Notes payment due to the Company by the end of June 2018.

When the quarterly Loan Notes payment due by the end of June 2018 is received in full, and as confirmed will be paid, there will be sufficient cash funds for the Group and Company to remain a going concern for at least 12 months from the date of approval of the financial statements without the need to take any actions to address a shortfall in funding.

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.

Operational risk

The Group's principal interest in operational assets is through its partnership with Eroton, OML 18. Operations are exposed to the risk of delays and interruptions to production due to various causes including pipeline losses, operational downtime, slow progress due to unexpected downhole challenges and procedural delays with JV partners.

Eroton is the operator of OML 18. San Leon Energy appointed a senior operations manager in 2017 with a wealth of downhole operational experience who is available to work with the Eroton team, bringing additional experience to ongoing operations.

Cargo shipping delays and pipeline losses have been experienced on OML 18. Eroton is exploring alternative oil evacuation routes to mitigate these risks, delays and losses, including a potential new dedicated pipeline and offshore floating storage and offloading system.

Exploration and development 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, well and equipment 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).

To control these risks, the Group and its partners endeavour to use competent people with appropriate skills to manage such risks at the appropriate levels within the Group structure. Additionally, where appropriate the Group engages expert contractors.

Commodity price risk

The demand for, and price of oil and gas is dependent on global and local supply and demand, actions of governments and general global economic and political developments. Eroton, as operator of OML 18, has in place a put option at $50 per barrel for a portion of its production. In effect this provides a price floor for that portion of production, while providing access to Price upside. It is designed to protect the ability of Eroton to service RBL repayments. This in turn impacts San Leon as Eroton cash flow is required for future payment of dividends to MLPL from Eroton.

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 sabotage, terrorism, war or unrest, changes in national laws and energy policies and exposure to different legal systems.

While the Group enjoys good working relationships with the relevant national regulatory authorities there can be no assurances that the laws and regulations and their interpretation will not change in future periods and that, as a result, the Group's activities would be affected.

However, the Directors believe that the Group benefits from its partnership with Eroton, the operator of OML 18 in Nigeria, to help mitigate Nigerian security risks and can report there were no interruptions to production at OML 18 in 2017 due to security issues on the block.

The Group monitors changes in partners, news feeds and consultants.

Environmental risk

Environmental and safety legislation may change in a manner that may require stricter or additional standards than those now in effect. These could result in heightened responsibilities for the Group and could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted.

The Group employs staff experienced in the requirements of the relevant environmental authorities and seeks through their experience to mitigate the risk of non-compliance with accepted best practice.

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. Details of the principal financial risks are set out in note 33. 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 the MLPL Loan Notes, Loan Notes repayments and interest, exploration expenditure, other costs, and equity funding, thus creating currency exposures for the Group. The Group manages its exposure by matching receipts and payments in the same currency and monitoring the residual net cash position and future income profile.

Share price

The share price movement in the year ranged from a low of Stg£0.18 to a high of Stg£0.57. The share price at 31 December 2017 was Stg£0.25.

San Leon's shares were temporarily suspended between 3 July 2017 and 10 September 2017 pending publication and posting of the Company's Annual Report and Financial Statements for the year to 31 December 2016 to shareholders.

DIRECTORS' REPORT continued
for the year ended 31 December 2017

San Leon announced on 3 November 2017 that it had received a letter on 11 September 2017 from Midwestern Oil and Gas Company Limited ("Midwestern") with an indicative proposal that included San Leon acquiring Midwestern's shares in MLPL. Such an acquisition could constitute a reverse takeover under the AIM Rules for Companies (the "AIM Rules") and, in accordance with rule 14 of the AIM Rules, would require the publication of an AIM admission document ("Admission Document") and approval of shareholders of the Company at a general meeting to proceed. Accordingly, the Company's ordinary shares were suspended from trading on 3 November 2017 pending the termination of these discussions or the publication of an Admission Document.

It was announced on 23 April 2018 that after careful consideration the board of San Leon had determined that the indicative proposal from Midwestern for San Leon to acquire Midwestern's shares in MLPL was not in the best interests of its shareholders at that time and San Leon requested the lifting of the suspension from trading of its shares on AIM and then resumed trading at 7.30 am on 23 April 2018.

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
Oisín Fanning, Chief Executive Officer
Joel Price, Chief Operating Officer
Alan Campbell, Commercial and Business Development Director
Ewen Ainsworth, Finance Director
Raymond King, Non-Executive Director and Company Secretary
Mark Phillips, Non-Executive Director
Nick Butler, Non-Executive Director (resigned 6 September 2017)
Linda Beal, Non-Executive Director (appointed 16 January 2018)
Bill Higgs, Non-Executive Director (appointed 22 May 2018)

In accordance with the Articles of Association, Raymond King and Ewen Ainsworth retire from the board by rotation and being eligible offer themselves for re-election.

Directors and their interests

The Directors and Secretary who held office at 31 December 2017, 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	**28/06/18**	31/12/17	01/01/17
Mutiu Sunmonu	**–**	–	–
Oisín Fanning#	**3,635,594**	3,635,594	3,635,594
Joel Price	**–**	–	–
Alan Campbell	**–**	–	–
Ewen Ainsworth	**66,666**	66,666	–
Raymond King	**–**	–	–
Mark Phillips	**–**	–	–
Nick Butler*	**–**	–	–
Linda Beal+	**–**	–	–
Bill Higgs~	**–**	–	–

Oisín Fanning is also due 3,052,942 ordinary shares in lieu of 80% of his salary for the period 1 September 2016 to 31 December 2017.
* Resigned 6 September 2017.
+ Appointed 16 January 2018.
~ Appointed 22 May 2018.

Share options

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

Director	Options at 01/01/17	Granted in year	Exercised in year	Lapsed in year	Options at 31/12/17	Exercise price	Expiry date
Mutiu Sunmonu	1,000,000	–	–	–	1,000,000	£0.45	20/09/23
Oisin Fanning	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
Raymond King	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
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
Linda Beal+#	–	–	–	–	–	–	–
Bill Higgs<	–	–	–	–	–	–	–

^ 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.

~ Resigned 6 September 2017.

+ Appointed 16 January 2018.

< Appointed 22 May 2018.

Linda Beal was issued 1,000,000 options with an exercise price of £0.45 per share in 2018.

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.

DIRECTORS' REPORT continued
for the year ended 31 December 2017

Significant shareholders

The Company has been informed that, in addition to the interests of the Directors above, at 31 December 2017 and at 28 June 2018, the following shareholders owned 3% or more of the issued share capital of the Company:

Name	Shares held	% Total shares held
Funds managed by Toscafund Asset Management LLP	311,821,927	62.33%
OWG PLC	19,546,176	3.91%
The Capital Group Companies Inc.	32,348,000	6.47%
Total Investment Solutions SA*	39,743,590	7.94%
Amara Equity Invest SA*	31,743,589	6.35%

* Controlled by SunTrust Oil.

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 structures.

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 and seek to implement best practice as appropriate for smaller listed companies.

The Board is accountable to shareholders for good corporate governance and has adopted the procedures set out below in this regard.

The Board

The Board is responsible for setting the overall strategy of the business, reviewing management performance and ensuring the Group has sufficient financial and human resources to meet its objectives. It directs the Group's activities in an effective manner through general Board meetings and monitors performance through timely and relevant reporting procedures.

At the date this Annual Report is published, the Board comprises four executive Directors and five non-executive Directors. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. Mark Philips, Linda Beal, Mutiu Sunmonu and Bill Higgs are independent of management and any business which would interfere with the exercise of their independent judgement.

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.

Board meetings and attendance in 2017

	Number of meetings	Number of meetings attended
Mutiu Sunmonu (Chairman)	11	10
Oisín Fanning	11	11
Raymond King	11	9
Joel Price	11	11
Alan Campbell	11	10
Ewen Ainsworth	11	11
Mark Phillips	11	10
Nick Butler*	7	5
Linda Beal+	n/a	n/a
Bill Higgs~	n/a	n/a

* Resigned 6 September 2017.
+ Linda Beal was appointed to the board on 16 January 2018 and has attended all board meetings since her appointment.
~ Bill Higgs was appointed to the board on 22 May 2018 and has attended all Board meetings since his appointment.

Remuneration Committee

The Remuneration Committee is composed of Linda Beal, Mark Phillips and Mutiu Sunmonu (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.

Remuneration committee meetings and attendance in 2017

	Number of meetings	Number of meetings attended
Mutiu Sunmonu (Chairman)	1	1
Mark Phillips	1	1
Nick Butler*	1	1
Linda Beal+	n/a	n/a

* Resigned 6 September 2017.
+ Linda Beal was appointed to the Committee on 16 January 2018 and has attended all committee meetings since her appointment.

Audit Committee

The Audit Committee consists of Mark Phillips, Mutiu Sunmonu and Linda Beal (appointed as chair). 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 processes 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 once a year without management present. The Committee also meets on an ad hoc basis as required.

Audit committee meetings and attendance in 2017

	Number of meetings	Number of meetings attended
Mutiu Sunmonu	5	1
Mark Phillips (Chairman Sep-Dec 2017)	5	5
Nick Butler* (Chairman)	3	3
Linda Beal+	n/a	n/a

* Resigned 6 September 2017.
+ Linda Beal was appointed Chair of the Committee on 16 January 2018 and has attended all committee meetings since her appointment.

Nomination Committee

The Nomination Committee consists of Mutiu Sunmonu, Oisín Fanning 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 Mutiu Sunmonu, Joel Price and Bill Higgs (appointed as chairman, 13 June 2018). The Committee is responsible for evaluating risks in Group operations including property, personnel and environmental risks and ensuring that appropriate procedures are in place for mitigating risk and ensuring that adequate insurance cover is in place for identifiable risks.

DIRECTORS' REPORT continued
for the year ended 31 December 2017

Investor relations

San Leon Energy is committed to open communication with all its shareholders. The Company believes it is important to explain business development and financial results to its shareholders and to ensure that suitable arrangements are in place so that the issues and concerns of major shareholders are heard and understood.

Copies of the Annual Report and Financial Statements are issued to all shareholders who have requested them and copies are available on the Group's investor website www.sanleonenergy.com. The Group's interim results are also made available on the Company's website. The Group makes full use of its investor website to provide information to shareholders and other interested parties.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the Directors are available both before and after the meeting for further discussion with shareholders. As a matter of policy, the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at the meeting.

The CEO is primarily responsible for investor relations. Meetings are offered to major institutional shareholders to discuss strategy, financial performance and investment activity immediately after the full year and interim results announcements. The Non-Executive Directors are available to meet with major shareholders if such meetings are required. Feedback from such meetings with shareholders is provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of major shareholders. Trading updates and press releases are issued as appropriate and the Group's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings.

Internal control

The Board acknowledges its overall responsibility for ensuring that the Company has a system of internal control in place that is appropriate. However, shareholders should be mindful that any system can only provide reasonable, not absolute, assurance against material misstatement or loss and is designed to manage but not to eliminate the risk of failure to achieve business objectives. The key procedures are:

- preparation of annual budgets for 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 option arrangements, during the year ended 31 December 2017 were as follows:

	Salary & emoluments € '000	Bonus= €'000	Pension € '000	Fees € '000	Benefits € '000	Shares to be issued € '000	2017 Total € '000
Mutiu Sunmonu>	-	-	-	139	-	-	139
Oisín Fanning#*	203	355	-	50	42	812	1,462
Raymond King^	-	-	-	186	-	-	186
Joel Price	401	138	30	53	-	-	622
Alan Campbell	401	138	30	53	3	-	625
Ewen Ainsworth°	344	-	24	53	-	-	421
Mark Phillips	-	-	-	58	-	-	58
Nick Butler +	-	-	-	44	-	-	44
Linda Beal~	-	-	-	-	-	-	-
Bill Higgs<	-	-	-	-	-	-	-
	1,349	**631**	**84**	**636**	**45**	**812**	**3,557**

+ Resigned 6 September 2017
# Oisín Fanning is due 2,542,432 ordinary shares in lieu of 80% of his salary for the year 1 January 2017 to 31 December 2017. He is also due 510,510 ordinary shares in respect of 2016 (see below).
* In addition, Oisín Fanning is due €1,682,879 in respect of personal loan guarantees provided by him, on behalf of the Company.
~ Appointed 16 January 2018
< Appointed 22 May 2018
> The Group has a consultancy agreement with Mutiu Sunmonu and Greenbay Energy Resources Limited. Please see Note 32 for further details.
^ The Group has a consultancy agreement with Raymond King and Surplan Limited. Please see Note 32 for further details.
° The Group has a consultancy agreement with Ewen Ainsworth and Discovery Energy Limited. Please see Note 32 for further details.
= Bonuses not paid to Directors as at 31 December 2017 or at 28 June 2018. See Note 23, 'Other creditors'.

Director emoluments and pension contributions, excluding share option arrangements, 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	-	186	-	-	242
Daniel Martin~«	-	-	-	122	-	-	122
Joel Price+	107	204	9	15	-	-	335
Alan Campbell +	107	204	9	15	-	-	335
Ewen Ainsworth+°	87	44	7	35	-	-	173
Mark Phillips+	-	-	-	16	-	-	16
Nick Butler+>	-	-	-	16	-	-	16
Piotr Rozwadowski*	-	-	-	12	-	-	12
	1,459	1,034	121	545	601	277	4,037

+ 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
^ The Group has a consultancy agreement with Raymond King and Surplan Limited. Please see Note 32 for further details.
° The Group has a consultancy agreement with Ewen Ainsworth and Discovery Energy Limited. Please see Note 32 for further details.
« The Group has a consultancy agreement with Daniel Martin and Green Corporate Finance Limited. Please see Note 32 for further details.
= Bonuses not paid to Directors as at 31 December 2016, 31 December 2017 or 28 June 2018. See Note 23, 'Other creditors'.

In addition to the emoluments above, in accordance with IFRS 2, share based payments, a cost of €Nil (2016: €2,525,125) has been recognised in respect of share options granted to Directors. See Note 29 for further details of share options.

DIRECTORS' REPORT continued
for the year ended 31 December 2017

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 books and accounting records are maintained at 3300 Lake Drive, Citywest Business Campus, Dublin 24.

Group transparency

Licence	Licence fees €'000
2017	
Corporate#	248
Total Poland	**248**

Licence	Licence fees €'000
2016	
Corporate#	332
Total Poland	**332**

Corporate is the consolidated total of all our Polish licences where the total of each licence payment in the year is less than €100,000.

The Irish Transparency Act came into force on the 1 January 2017. This required companies operating in the extractive sector to publicly disclose payments made to National Governments. The regulation implements Chapter 10 of EU Accounting Directive (2013/34/EU).

The payments disclosed are based on where the obligation arose which in our case is Ireland. Payments are disclosed by license where the aggregate of the payment in the year exceeds €100,000 otherwise they are combined into a corporate level payment which consolidated all the smaller payments.

All of the payments disclosed in accordance with the Directive have been made to National Governments, covering both direct and indirect payments.

The payments type covered by this disclosure are:

Licence fees:Licence fees cover the costs associated with holding each of our licences.

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 this 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 Fanning
Director

Raymond King
Director

28 June 2018

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

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. As required by the AIM/ESM Rules, they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU. The Directors 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 then 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 as regards the Company, as applied in accordance with the Companies Act 2014;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

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 Company comply with the provision of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of 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	**Raymond King**
Director	Director

INDEPENDENT AUDITOR'S REPORT
to the Members of San Leon Energy plc

1 Opinion: our opinion is unmodified

We have audited the financial statements of San Leon Energy plc ("the Company") for the year ended 31 December 2017, which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated and company statements of cash flows and the related notes, including the accounting policies in note 1.

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 (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

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 2017 and of its loss 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 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – uncertainty relating to valuation of investment in Midwestern Leon Petroleum Limited ("MLPL")

We draw attention to notes 13 (ii) and 17 (i) to the financial statements concerning the uncertainty associated with the assessment of the Group's investment in and related Loan Notes due from MLPL. The Group's investment in and related Loan Notes due from MLPL are underpinned by the OML 18 oil field in Nigeria. As such, there is significant uncertainty in relation to the quantum and timing of future cashflows which will be produced by OML 18 and this uncertainty in turn impacts the value of Group's investment in MLPL and the recoverability of the Group and Company's loans due from MLPL. The consequences of the significant uncertainty in relation to the Group and Company's Loan Notes due from MLPL, impact on the Group and Company's assessment of their ability to continue as a going concern.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Going concern (refer to pages 59 and 60 (accounting policy))</td></tr>
<tr><td>The Group has prepared detailed cashflow forecasts that indicate that the Group has adequate resources to continue as a going concern which are underpinned by significant assumptions relating to the timing and amount of forecasted cashflows.

This is both a Group and Company matter.</td><td>Our audit procedures included, but were not limited to:
• Consideration and recalculation, including sensitivity analysis, of management's cashflow forecasts
• Assessment of the assumptions relating to the timing and amount of forecasted cashflows including a comparison to the historical cash requirements of the business and cash receipts from the MLPL Loan Notes.
• Confirmation from the guarantors of the expected timing of cashflows on the MLPL Loan Notes in June 2018.
• Detailed discussion with the Audit Committee of the forecasted cashflows from the MLPL Loan Notes.
• Assessment of alternative sources of funding including consideration and review of available third party funding and assessment of their inclusion in management's cash flow forecasts.
• Considering whether any additional facts or information have become available since the date on which management made its assessment.
• Requested written representations from the Audit Committee and the Board of Directors.
• Assessed the appropriateness of disclosures made in the financial statements.

We found the Group's judgement that the uncertainty regarding the timing and amount of future cashflows relating to the MLPL Loan Notes after June 2018 does not give rise to significant doubt about the Group and Company's ability to continue as a going concern to be acceptable and adequately disclosed in the financial statements.</td></tr>
<tr><td colspan="2">Valuation of Midwestern Leon Petroleum Limited ("MLPL") Loan Notes and equity interest (refer to page 64 (accounting policy) and pages 73 and 79 to 81 (financial disclosures))</td></tr>
<tr><td>The OML 18 transaction (the MLPL Loan Notes and equity interest) accounts for San Leon's most significant asset.

In line with the relevant accounting standards, management have ascertained fair values for the Loan Notes €134.8 million (2016: €153.4 million) and the equity interest €58.3 million (2016: €74.4 million) at 31 December 2017.

There are significant estimates and judgments involved in determining the fair value of both the Loan Notes and equity interest in MLPL.

This is both a Group and Company audit matter.</td><td>Our audit procedures included, but were not limited to:
• Consideration of management's fair value assessment models and accounting papers highlighting the key assumptions (forecast cash flows and discount rate) supporting the carrying amount of the equity interest and Loan Notes investment in MLPL.
• Consideration of the historical accuracy of the Group's cashflow forecast by comparing the prior period forecasted cash receipts from the MLPL Loan Notes to actual receipts in 2017 and the first half of 2018.
• We compared the Group's forecasted income from the MLPL Loan Notes to MLPL's own cashflow forecasts to ensure they were consistent.
• Assessment of the arithmetic accuracy of the calculations underpinning the valuation and accounting for the Loan Notes and equity accounted interests.
• Recalculation of the fair value of the loan based on management's assumptions.
• Inspection of correspondence with the Group's legal advisers which considers the manner and classification of Loan Notes payments and whether there was a breach of the instrument's terms.
• Discussion and inspection of supporting work papers with the MLPL component auditor which supports the component auditor's opinion to us on the MLPL audited consolidated financial statements.

We found no material misstatements arising from our procedures, however based on evidence obtained, we note that the recoverability of the Group's investment (Loan Notes and equity investment) in MLPL is dependent on the ability of the OML 18 operator, Eroton, to make distributions which is subject to certain restrictions.

This is outside of the control of San Leon Energy plc and reflects a material uncertainty for the Group and Company. Therefore we have included an emphasis of matter in relation to the carrying value of the Group's investment in MLPL in our audit opinion.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT continued

to the Members of San Leon Energy plc

Valuation of 4.5% Net Profit Interest (NPI) on the Barryroe oil field (refer to page 63 (accounting policy) and pages 79 to 82 (financial disclosures))	
The risk relates to the assessment of the carrying value of the Barryroe NPI financial asset of €42.6 million (2016: €48.5 million) at 31 December 2017. Assessing the fair value of the Group's NPI in Barryroe continues to be subject to complexity and significant judgment. This is both a Group and Company audit matter.	Our audit procedures included, but were not limited to: • Consideration of management's and the Board's accounting papers setting out its assessment of the carrying value of the financial asset. • Assessment of the key management assumptions, oil prices and discount rate, which underpin their valuation model against industry standards and current market prices. • Consideration of the most recent available third party and independent information available to management, including developments in relation to the farm out of the Barryroe field. • Recalculation of management's estimate of the fair value of the asset. • Assessment of the required accounting disclosures. The fair value of the Barryroe NPI asset is estimated by management to be €42.6 million at 31 December 2017 (2016: € 48.5m) based on a fair value model produced by management. We consider the assumptions used in the model to be supportive of the valuation. These assumptions are appropriately disclosed.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group and Company financial statements as a whole was set at €1,325,000 (2016: €650,000). This has been calculated using a benchmark of Group and Company total assets (of which it represents 0.5% (2016: 0.2%), which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to the members of the Group and Company in assessing financial performance.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of €65,000 (2016: €32,500), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

The accounting records of the Company and its subsidiaries are maintained in Ireland. The accounting records of the equity accounted investment in MLPL are maintained in Nigeria. 100% of total group revenue, 100% of the group's loss before taxation and 100% of group total assets were subject to audit for group reporting purposes.

For the two significant components in the scope of our audit, the parent Company San Leon Energy plc (audited by the Group team) and the equity accounted investment MLPL (audited by PWC Nigeria), the Group audit team allocated a component materiality set at €750,000 (less than our overall Group materiality) having regard to the size and risk profile of the components across the Group. The Group audit team instructed the component auditor as to the significant areas to be covered including the relevant risks detailed above and the information to be reported back.

The Group audit team held telephone conference calls with the auditors of the MLPL component to assess the audit risk and strategy and work undertaken. On those telephone conference calls, the matters subject to audit and the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the directors' report and strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

6 Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose 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 Company's statement of financial position and the profit and loss account is in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception

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.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 43, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

9 The purpose of our audit work and to whom we owe our responsibilities

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 our 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

28 June 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Continuing operations			
Revenue	2	**324**	345
Cost of sales		**(146)**	(128)
Gross profit		**178**	217
Recycling of currency translation reserve on disposal of subsidiaries	28	**28**	–
Share of (loss)/profit of equity accounted investments	13	**(7,079)**	12,217
Administrative expenses		**(16,952)**	(26,367)
Impairment / write off of exploration and evaluation assets	12	**(42,783)**	(9,300)
Impairment of assets held for sale	22	**(3,136)**	–
Decommissioning of wells	26	**235**	(274)
Arbitration award	26	**(1,948)**	(3,628)
Other income	3	**95**	29,926
Dissenting shareholders award	26	**–**	(1,125)
Impairment of financial assets	17	**(3,171)**	–
Provision for bank guarantee	20	**(1,167)**	–
Provision for other debtors	19	**(5,276)**	–
Loss on disposal of equity accounted investments	4	**–**	(1,954)
(Loss) from operating activities		**(80,976)**	(288)
Finance expense	6	**(6,576)**	(13,025)
Finance income	7	**506**	2
Foreign exchange (loss) / gain – OML 18 Production Arrangement	8	**(18,901)**	7,958
Finance income – OML 18 Production Arrangement	8	**34,619**	8,843
(Loss)/profit before income tax		**(71,328)**	3,490
Income tax	10	**(2,199)**	2,227
(Loss)/profit from continuing operations		**(73,527)**	5,717
(Loss)/profit per share (cent) – continuing operations			
Basic (loss)/profit per share	11	**(16.18)**	3.42
Diluted (loss)/profit per share	11	**(16.15)**	3.34

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	**2017 €'000**	2016 €'000
(Loss)/profit for the year		**(73,527)**	5,717
Items that may be reclassified subsequently to the income statement			
Foreign currency translation differences – subsidiaries	28	**(627)**	(763)
Foreign currency translation differences – joint venture	28	**(9,007)**	4,694
Recycling of currency translation reserve on disposal of subsidiaries		**(28)**	–
Fair value movements in financial assets	17	**(5,896)**	1,545
Deferred tax on fair value movements in financial assets	31	**1,989**	(494)
Total comprehensive (loss)/profit for the year		**(87,096)**	10,699

The accompanying notes on pages 57 – 103 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital reserve €'000	Share premium reserve €'000	Currency translation reserve €'000
2016			
Balance at 1 January 2016	127,145	205,126	(3,891)
Other comprehensive income			
Profit for the year	–	–	–
Other comprehensive income			
Foreign currency translation differences – subsidiaries	–	–	(763)
Foreign currency translation differences – joint venture (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			
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**
2017			
Balance at 1 January 2017	130,957	401,503	40
Total comprehensive income for year			
Loss for the year	–	–	–
Other comprehensive income			
Foreign currency translation differences – subsidiaries	–	–	(627)
Foreign currency translation differences – joint venture (Note 13)	–	–	(9,007)
Recycling of currency translation reserve on disposal of subsidiaries	–	–	(28)
Fair value movements in financial assets	–	–	–
Deferred tax on fair value movements in financial assets	–	–	–
Total comprehensive income for year	–	–	(9,662)
Transactions with owners recognised directly in equity			
Contributions by and distributions to owners			
Issue of shares for cash (Note 27)	439	12,008	–
Issue of shares – debt for equity (Note 27)	63	2,217	–
Effect of share options exercised (Note 27)	70	2,321	–
Share based payment	–	–	–
Effect of share options cancelled	–	–	–
Total transactions with owners	572	16,546	–
Balance at 31 December 2017	**131,529**	**418,049**	**(9,622)**

The accompanying notes on pages 57 – 103 form an integral part of these financial statements.

	Share based payment reserve €'000	Shares to be issued reserve €'000	Fair value reserve €'000	Retained earnings €'000	Attributable to equity holders in Group €'000	Non-controlling interest €'000	Total €'000
	11,057	992	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)
	9,260	277	–	–	9,537	–	9,537
	701	–	–	(701)	–	–	–
	8,367	277	–	(2,658)	206,175	–	206,175
	19,424	**1,269**	**4,017**	**(263,273)**	**293,937**	**–**	**293,937**
	19,424	1,269	4,017	(263,273)	293,937	–	293,937
	–	–	–	(73,527)	(73,527)	–	(73,527)
	–	–	–	–	(627)	–	(627)
	–	–	–	–	(9,007)	–	(9,007)
	–	–	–	–	(28)	–	(28)
	–	–	(5,896)	–	(5,896)	–	(5,896)
	–	–	1,989	–	1,989	–	1,989
	–	–	(3,907)	(73,527)	(87,096)	–	(87,096)
	–	–	–	–	12,447	–	12,447
	–	–	–	–	2,280	–	2,280
	(1,906)	–	–	1,906	2,391	–	2,391
	570	812	–	–	1,382	–	1,382
	(1,936)	–	–	1,936	–	–	–
	(3,272)	812	–	3,842	18,500	–	18,500
	16,152	**2,081**	**110**	**(332,958)**	**225,341**	**–**	**225,341**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital €'000	Share premium €'000	Share based payment reserve €'000	Shares to be issued reserve €'000	Fair value reserve €'000	Retained earnings €'000	Total equity €'000
2016							
Balance at 1 January 2016	127,145	205,126	11,057	992	6,665	(274,415)	76,570
Total comprehensive income							
Profit for the year	–	–	–	–	–	(56,892)	(56,892)
Fair value movement in financial asset	–	–	–	–	1,545	–	1,545
Deferred tax on fair value movements in financial assets	–	–	–	–	(3,075)	–	(3,075)
Total comprehensive income for the year	–	–	–	–	(1,530)	(56,892)	(58,422)
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Issue of shares for cash (Note 27)	3,784	194,926	–	–	–	(1,957)	196,753
Issue of shares in lieu of salary (Note 27)	28	1,451	(1,594)	–	–	–	(115)
Share based payment	–	–	9,260	277	–	–	9,537
Warrants issued on placing	–	–	701	–	–	(701)	–
Total transactions with owners	3,812	196,377	8,367	277	–	(2,658)	206,175
Balance at 31 December 2016	**130,957**	**401,503**	**19,424**	**1,269**	**5,135**	**(333,965)**	**224,323**
2017							
Balance at 1 January 2017	130,957	401,503	19,424	1,269	5,135	(333,965)	224,323
Total comprehensive income							
Loss for the year	–	–	–	–	–	(51,940)	(51,940)
Fair value movements in financial assets	–	–	–	–	(5,896)	–	(5,896)
Deferred tax on fair value movements in financial assets	–	–	–	–	1,989	–	1,989
Total comprehensive income for the year	–	–	–	–	(3,907)	(51,940)	(55,847)
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Issue of shares for cash (note 27)	439	12,008	–	–	–	–	12,447
Issue of shares – debt for equity	63	2,217	–	–	–	–	2,280
Effect of share options exercised	70	2,321	(1,906)	–	–	1,906	2,391
Share based payment	–	–	570	812	–	–	1,382
Effect of share options cancelled	–	–	(1,936)	–	–	1,936	–
Total transactions with owners	572	16,546	(3,272)	812	–	3,842	18,500
Balance at 31 December 2017	**131,529**	**418,049**	**16,152**	**2,081**	**1,228**	**(382,063)**	**186,976**

The accompanying notes on pages 57 – 103 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes	2017 €'000	2016 €'000
Assets			
Non-current assets			
Intangible assets	12	**2,501**	44,621
Equity accounted investments	13	**58,296**	74,382
Property, plant & equipment	14	**2,398**	3,279
Financial assets	17	**117,901**	169,616
Other non-current assets	15	**180**	257
		181,276	292,155
Current assets			
Inventory	18	**282**	253
Trade and other receivables	19	**4,347**	11,490
Other financial assets	20	**–**	1,328
Financial assets	17	**61,785**	37,727
Cash and cash equivalents	21	**8,131**	177
Assets classified as held for sale	22	**–**	2,553
		74,545	53,528
Total assets		**255,821**	345,683
Equity and liabilities			
Equity			
Called up share capital	27	**131,529**	130,957
Share premium account	27	**418,049**	401,503
Share based payments reserve	28/29	**16,152**	19,424
Shares to be issued reserve		**2,081**	1,269
Currency translation reserve	28	**(9,622)**	40
Fair value reserve		**110**	4,017
Retained earnings		**(332,958)**	(263,273)
Total equity		**225,341**	293,937
Non-current liabilities			
Provisions	26	**–**	1,280
Derivative	24	**426**	255
Deferred tax liabilities	31	**7,538**	7,332
		7,964	8,867
Current liabilities			
Trade and other payables	23	**15,807**	11,298
Loans and borrowings	25	**4,146**	6,283
Provisions	26	**1,563**	24,298
Liabilities classified as held for sale	22	**1,000**	1,000
		22,516	42,879
Total liabilities		**30,480**	51,746
Total equity and liabilities		**255,821**	345,683

The accompanying notes on pages 57 – 103 form an integral part of these financial statements.

Oisín Fanning
Director

Ewen Ainsworth
Director

28 June 2018

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 €'000	2016 €'000
Assets			
Non-current assets			
Intangible assets	12	**–**	9,020
Financial Assets	17	**117,901**	169,616
Financial assets – investment in subsidiaries	16	**30,226**	47,038
		148,127	225,674
Current assets			
Trade and other receivables	19	**2,993**	6,027
Financial assets	17	**61,785**	37,727
Cash and cash equivalents	21	**7,816**	1
		72,594	43,755
Total assets		**220,721**	269,429
Equity and liabilities			
Equity			
Called up share capital	27	**131,529**	130,957
Share premium account	27	**418,049**	401,503
Share based payments reserve	28/29	**16,152**	19,424
Shares to be issued reserve		**2,081**	1,269
Fair value reserve		**1,228**	5,135
Retained earnings		**(382,063)**	(333,965)
Attributable to equity shareholders		**186,976**	224,323
Non-current liabilities			
Derivative	24	**426**	255
Deferred tax liabilities	31	**7,572**	7,627
		7,998	7,882
Current liabilities			
Trade and other payables	23	**21,601**	30,941
Loans and borrowings	25	**4,146**	6,283
		25,747	37,224
Total liabilities		**33,745**	45,106
Total equity and liabilities		**220,721**	269,429

The accompanying notes on pages 57 – 103 form an integral part of these financial statements.

Oisín Fanning Director

Ewen Ainsworth Director

28 June 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Cash flows from operating activities			
(Loss)/profit for the year – continuing operations		**(73,527)**	5,717
Adjustments for:			
Depletion and depreciation		**782**	647
Finance expense	6 / 8	**25,477**	13,025
Finance income	8	**(35,125)**	(16,803)
Share based payments charge		**1,382**	9,537
Foreign exchange		**(1,540)**	(391)
Income tax		**2,199**	(2,227)
Impairment of exploration and evaluation assets – continuing operations	12	**42,783**	9,300
Impairment of financial assets		**3,171**	–
Impairment of assets held for sale	22	**3,136**	–
Provision for bank guarantee	20	**1,167**	–
Provision for other debtors	19	**5,276**	–
Other income		**(95)**	–
Arbitration award	26	**1,948**	3,628
Dissenting shareholders		**–**	1,125
Decommissioning costs	26	**(235)**	274
Disposal of equity interest		**–**	1,954
Bargain purchase of MLPL		**–**	(29,926)
Decrease/(increase) in inventory		**(29)**	76
Decrease/(increase) in trade and other receivables		**2,365**	(784)
Increase/(decrease) in trade and other payables		**3,188**	(3,270)
Movement in other non-current assets	15	**77**	576
Share of loss/(profit) of equity-accounted investments	13	**7,079**	(12,217)
Tax paid		**(4)**	(4)
Net cash inflow/(outflow) from operating activities		**(10,525)**	(19,763)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		**(485)**	(1,117)
Proceeds of disposal of equity accounted investments		**–**	4,222
Arbitration payment		**(23,906)**	(2,231)
Purchase of property, plant and equipment		**144**	(2,719)
Advances to equity accounted investments		**–**	53
Decrease in restricted cash	20	**–**	84
Expenditure on held for sale asset		**(583)**	–
Proceeds on sale of held for sale assets	13	**95**	–
Acquisition of OML 18 equity interest	13	**–**	(27,545)
OML 18 Production Arrangement Loan Notes	17	**34,277**	(136,583)
Proceeds of financial investments and investment income	17	**31**	140
Net cash outflow from investing activities		**9,573**	(165,696)
Cash flows from financing activities			
Proceeds from issue of shares		**14,840**	196,753
Cost of issue of shares		**–**	–
Proceeds from drawdown of other loans		**20,228**	6,104
Repayment of other loans		**(19,455)**	(12,437)
Dissenting shareholder payment		**(1,716)**	(705)
Movement in Director loan		**1,321**	145
Interest and investment income received		**9**	–
Interest and arrangement fees paid		**(6,405)**	(5,040)
Net cash inflow from financing activities		**8,822**	184,820
Net (decrease)/increase in cash and cash equivalents		**7,870**	(639)
Effect of foreign exchange fluctuation on cash and cash equivalents		**84**	(97)
Cash and cash equivalents at start of year	21	**177**	(913)
Cash and cash equivalents at end of year	21	**8,131**	177

The accompanying notes on pages 57 – 103 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Cash flows from operating activities			
Loss for the year		**(51,940)**	(56,892)
Adjustments for:			
Depletion and depreciation		**–**	33
Finance income		**(34,619)**	(16,802)
Finance expense		**25,482**	12,972
Share based payments charge		**571**	8,659
Impairment of investment in subsidiaries and amounts due from group undertakings		**31,354**	32,450
Impairment of financial assets		**3,171**	–
Impairment of exploration and evaluation assets		**9,020**	–
Provision for other debtors		**1,668**	–
Foreign exchange		**(576)**	(70)
Income tax		**1,924**	4,555
Decrease in trade and other receivables		**890**	137
Increase/(decrease) in trade and other payables		**2,792**	236
Tax received		**19**	7
Net cash outflow recovered from operating activities		**(10,244)**	(14,715)
Cash flows from investing activities			
Advances to subsidiary companies		**(26,718)**	(7,448)
Decrease/(increase) in restricted cash		**–**	84
OML18 Production Arrangement Loan Notes	17	**34,277**	(136,583)
Acquisition of OML 18 equity interest	13	**–**	(27,545)
Proceeds of financial investments and investment income	17	**31**	140
Net cash outflow from investing activities		**7,590**	(171,352)
Cash flows from financing activities			
Proceeds of issue of shares		**14,840**	196,753
Proceeds from drawdown of other loans		**20,228**	6,104
Repayment of other loans		**(19,455)**	(12,437)
Movement in Director loan		**1,321**	145
Interest and arrangement fees paid		**(6,410)**	(4,988)
Net cash inflow from financing activities		**10,524**	185,577
Net (decrease)/increase in cash and cash equivalents		**7,870**	(490)
Effect of foreign exchange fluctuation on cash and cash equivalents		**(55)**	(81)
Cash and cash equivalents at start of year	21	**1**	572
Cash and cash equivalents at end of year	21	**7,816**	1

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 International Financial Reporting Standards ("IFRS") as adopted by the EU. The individual financial statements of the Company (Company financial statements) have been prepared in accordance with IFRS 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 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 2017 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 2017

The following new standards and amendments were adopted by the Group and the Company for the first time in the current financial reporting period. There was no impact on the results for the year ended 31 December 2017.

New standards and interpretations effective that were adopted

Standard	IASB effective date	EU effective date
Amendments to IAS 7: Disclosure Initiative (29 January 2016)	1 January 2017 (early adoption permitted)	1 January 2017 (early adoption permitted)
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (19 January 2016)	1 January 2017 (early adoption permitted)	1 January 2017 (early adoption permitted)
Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities) (issued on 8 December 2016)	1 January 2017	1 January 2017

1. Accounting Policies continued

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 and the Company's financial statements or are still under assessment by the Group and the Company.

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

Standard	IASB effective date	EU effective date
IFRS 14: Regulatory Deferral Accounts (30 January 2014)	1 January 2016 (early adoption permitted)	Not endorsed, expected to wait for the final standard.
Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1 First time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures) (issued on 8 December 2016)	1 January 2018	1 January 2018
IFRS 9 Financial Instruments (24 July 2014)	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued 12 December 2016)	1 January 2018	1 January 2018
IFRS 15: Revenue from contracts with customers (Note – including amendments to IFRS 15: Effective date of IFRS 15 (11 September 2015) and clarifications to IFRS 15 (12 April 2016))	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
Amendments to IFRS 2: Classification and measurement of share-based payment transactions (20 June 2016)	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (issued December 2016)	1 January 2018	1 January 2018
Amendments to IAS 40: Transfers of Investment Property (issued December 2016)	1 January 2018	1 January 2018
IFRS 16: Leases (13 January 2016)	1 January 2019 (early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard)	1 January 2019 (early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard)
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	Not endorsed, expected to be endorsed Q3 2018.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019	1 January 2019
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	1 January 2019	Not endorsed, expected to be endorsed in 2018.
IFRS 17 Insurance Contracts (issued on 18 May 2017)	1 January 2021	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 (September 2014)	Deferred indefinitely (pending outcome of research project on the equity method of accounting)	Endorsement postponed. Awaiting IASB developments.
Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019 (early adoption permitted)	Expected to be endorsed in 2018

1. Accounting Policies continued

A number of new standards, amendments to standards and interpretations are not yet effective and therefore have not been applied in preparing these financial statements. The Group and the Company 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 Directors do not believe that any of the above standards that are not yet effective will have a significant impact on Group and Company reporting.

New standards that came into effect on 1 January 2018 are being applied in the year ending 31 December 2018, first reporting to include these will be for the period ending 30 June 2018. The Directors do not believe that any of these standards will have a significant impact on Group and Company reporting.

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 June 2018 to 31 December 2019.

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

- During 2016 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 the Loan Notes in the form of interest and capital repayments. This continued to be the case during 2017 and the basis of the forecast for 2018. To date three quarterly Loan Note payments totalling US$58.6 million have been made on behalf of MLPL when due under the terms of the Loan Notes. The Group has assumed that it will continue to receive quarterly forecast cash flows during 2018 and 2019 from the Loan Notes and allocate to interest or capital repayments in accordance with the terms of the Loan Notes. A fourth quarterly Loan Notes payment, which is due by the end of June 2018, would be sufficient to provide cash funds to the Group and Company to remain a going concern for at least 12 months. As at the 28 June 2018 a further US$11.0 million has been received in relation to the fourth quarterly Loan Notes. It has been confirmed to the Company that up to a further US$8 million will be paid on behalf of MLPL by the 30 June 2018 which will fulfil the fourth quarterly Loan Notes payment due by the end of June 2018.
- Ongoing exploration and administrative expenditure from the Group's existing activities are in line with current expectations and commitments.
- Provision and settlement of certain loans provided to the Group. The expectation is that no further loans will be required and all loans as detailed in Note 25 will be fully settled within terms.
- Further cash inflow of US$3.6 million before interest and an extension fee from the sale of certain Polish assets on completion of the sale to NSP Investments Holdings Ltd (previously referred to as Palomar) will be received.
- Committed facility of £10 million from Shard Capital which can be drawn down on a quarterly basis in instalments of up to £1.25 million per quarter over a period of 2 years.
- The cash flow forecast reflects the on-going 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. The strategy of the Board is to continue to mitigate risk on the Group's 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 with third parties on the potential disposal of a number of the Group's 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.

Given the Group's well understood cost base and the expected cash inflows in June 2018 associated with the interest and capital repayments on the Loan Notes with MLPL, the directors are confident that the Group has adequate resources to continue as a going concern with no material uncertainties.

It was originally envisaged that the quarterly Loan Notes payments due to the Group would be sourced by MLPL from the receipt of dividends through its indirect interest in Eroton via Martwestern. These dividends have not been received and consequently MLPL entered into a loan arrangement in order to be able to make Loan Notes payments to the Company. In the absence of the dividend payments to MLPL it will be reliant on further advances under the loan arrangement and in turn being able to make quarterly Loan Notes payments to the Company.

1. Accounting Policies continued

The Directors have concluded, that whilst any quarterly Loan Notes payment due in the second half of 2018, if delayed or not received, represents a material uncertainty in relation to the carrying value of the MLPL Loan Notes, the payment of the fourth quarterly Loan Notes payment of which US$11 million has been received to date, and a further up to US$8 million will be paid on behalf of MLPL by the end of June 2018, will enable the Group and Company to continue as a going concern. The uncertainty in relation to subsequent receipts in the second half of 2018 does not give rise to a significant doubt in relation to the Group and Company's ability to continue as a going concern.

Further, based on its consideration of Group cash flow projections and underlying assumptions outlined above, 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 2017.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional 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)
- Measurement and recoverability of equity accounted investments (Note 13)
- Measurement and recoverability of financial assets (Note 17)
- Measurement of share-based payments (Note 29)
- Recognition of deferred tax asset for 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.

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 and Company 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 and Company 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.

1. Accounting Policies continued

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 other 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 and Company regularly review the carrying amount of exploration and evaluation assets for indicators of impairment and capitalised costs are written off where the carrying amount of assets may not be recoverable. Where commercial reserves have been established and development is approved by the Board, the relevant expenditure is transferred to oil and gas properties following assessment of impairment.

Royalty

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

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date and, if there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

Estimates on impairment are limited to an assessment by the Directors of any events or changes in circumstance that would indicate that the carrying amount of the asset may not be recoverable.

Any impairment loss arising from the review is recognised in profit or loss to the extent the carrying amount of the asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Oil and gas properties

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

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

Property, plant and equipment

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

Office equipment	25% Straight line
Motor vehicles	20% Reducing balance
Plant and equipment	20% – 33% Straight line

Jointly controlled operations or assets

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

Inventories

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

Joint arrangements

The Group has also entered into joint venture arrangements which are operated through joint ventures. The Group accounts for its interest in these entities on an equity basis, with Group share of profit or loss after tax is 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.

1. Accounting Policies continued

Financial assets – available for sale

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

Decommissioning provision

A provision is made for decommissioning of oil and gas wells. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recognised and reassessed at each reporting date. This amount is regarded as part of the total investment to gain access to economic benefits and consequently capitalised as part of the cost of the asset and the liability is recognised in provisions. Such cost is depleted over the life of the asset on the basis of 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.

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.

1. Accounting Policies continued

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

Segmental reporting

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

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

Full details of the Group's operating segments all of which are involved in oil and gas exploration and production 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.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2017

1. Accounting Policies continued

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

Revenue and Segmental Information

2017	Poland €'000	Morocco €'000	Albania €'000	Nigeria €'000	Ireland €'000	Unallocated # €'000	Total €'000
Total revenue	324	–	–	–	–	–	324
Segment (loss)/profit before income tax	(11,345)	(30,370)	(5,906)	8,639	(5,530)	(26,816)	(71,328)
Exploration and evaluation assets	–	–	2,501	–	–	–	2,501
Property, plant and equipment	223	–	–	2,175	–	–	2,398
Impairment of exploration and evaluation assets	(5,995)	(28,946)	(7,842)	–	–	–	(42,783)
Equity accounted investments	–	–	–	58,296	–	–	58,296
Segment non-current assets	219	–	2,501	133,509	44,860	187	181,276
Capital expenditure^	300	5	180	–	–	–	485
Segment liabilities	(3,961)	(1,132)	(667)	–	–	(24,720)	(30,480)

^ 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.

Unallocated expenditure and liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment.

2016	Poland €'000	Morocco €'000	Albania €'000	Nigeria €'000	Ireland €'000	Unallocated # €'000	Total €'000
Total revenue	345	–	–	–	–	–	345
Segment (loss)/profit before income tax	(5,648)	(6,360)	(27)	54,040	–	(38,515)	3,490
Exploration and evaluation assets	7,143	29,162	8,316	–	–	–	44,621
Property, plant and equipment	560	–	–	2,719	–	–	3,279
Impairment of exploration and evaluation assets	(2,861)	(6,439)	–	–	–	–	(9,300)
Equity accounted investments	–	–	–	74,382	–	–	74,382
Segment non-current assets	7,677	29,162	8,316	192,757	53,959	284	292,155
Capital expenditure^	1,243	(330)	204	–	–	–	1,117
Segment liabilities	(1,730)	(1,906)	(634)	–	–	(47,476)	(51,746)

^ 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.

Unallocated expenditure and liabilities include amounts of a corporate nature and not specifically attributable to a reportable segment.

Revenue relates to the provision of seismic acquisition services in Poland in 2017 and 2016.

3. Other income

Group	2017 €'000	2016 €'000
Bargain purchase on acquisition of MLPL	–	29,926
Advance from Horizon Petroleum Limited (i)	95	–
	95	29,926

The bargain purchase on acquiring a 40% interest in MLPL is calculated as follows:

	2017 €'000	2016 €'000
Fair value at the date of acquisition	–	57,471
Less equity investment in MLPL held by San Leon Energy Nigeria B.V. (Note 17)	–	(27,545)
Bargain purchase of MLPL	–	29,926

(i) Further to a Memorandum of Understanding (MoU) dated 25 April 2017 with a third party, and subject to a Sale and Purchase Agreement, which had yet to be agreed at the time for the potential sale of certain Polish assets, the Company received an advance of €178,779 (US$200,000) during June 2017 which 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 the subsequently signed Sale and Purchase Agreement is not concluded. The refundable amount has been accrued at year end.

4. Loss on disposal on equity accounted investments

	2017 €'000	2016 €'000
Proceeds from 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 on 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 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 for the drilling and testing costs of the Rawicz-12 and Rawicz-15 wells, and amounted to approximately €2.8 million (US$3.0 million).

In 2016, the Company sold its 35% interest in the Poznan assets held through Poznan Energy B.V (largely the Siekierki field) at the same time 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 and 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) was due to be paid to San Leon on or before 01 October 2017. An interest charge of LIBOR plus 5% was to be applied to any sum not paid by 1 February 2017. The balance of US$4.5 million plus accrued interest (the "Amount Due") was not paid to San Leon on or before 01 October 2017. Under a novation agreement and extension agreement dated 22 December 2017, the Amount Due is now the full responsibility of NSP Investments Holdings Ltd, a BVI registered company that holds a 35% interest in TSH Energy Joint Venture B.V.

The Company received a further €1.25 million (US$1.5 million) payment of the Amount Due on 21 December 2017. The Company is due to receive a further €2.3 million (US$3.6 million), including an extension fee, plus any further accrued interest on or before 01 September 2018.

5. Statutory information

(a) Group

	2017 €'000	2016 €'000
The (loss)/profit for the financial year is stated after charging / (crediting):		
Depreciation of property, plant, machinery and equipment	**782**	647
Gain on foreign currencies	**1,540**	391
Operating lease rentals		
– Premises	**823**	1,378
Impairment of exploration and evaluation assets	**42,783**	9,300
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
Directors shares to be issued*	**812**	277
Issue of Director shares<	**–**	601
Share based payment charge	**570**	2,847

Comprises 10,000,000 warrants issued to Toscafund, 3,000,000 options granted to Robin Management Services and 4,000,000 options granted to DSA Investments Inc..

* Oisín Fanning is due 2,542,432 ordinary shares in lieu of 80% of his salary for the year 1 January 2017 to 31 December 2017 and this was charged in 2017.

* 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. This was included in the 2016 charge.

< In 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.

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

Audit Remuneration

	2017 €'000	2016 €'000
Fees paid to lead audit firm:		
Audit of the Group financial statements	**170**	115
Audit of the subsidiary financial statements	**55**	35
Other audit services~	**180**	–
Other non-audit services	**–**	55
Total	**405**	205
Fees paid to other firms in the lead audit firm's network:		
Other non-audit services	**5**	15
	5	15
Total	**410**	220

During 2016 the Company engaged KPMG Ireland for services in relation to OML 18 Production Arrangement and readmission to AIM.

* Tax and non-assurance services related to accounting and tax compliance work in Spain.

~ Other audit services relate to the audit year ended 31 December 2016.

(b) Company

	2017 €'000	2016 €'000
The loss for the financial year is stated after charging:		
Depreciation of property, plant, machinery and equipment	**–**	33
Gain on foreign currencies	**576**	70
Operating lease rentals – premises	**823**	854
Auditor's remuneration – audit services	**170**	115

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 €51.9 million (2016: a loss of €56.9 million) has been recorded in the parent company.

6. Finance expenses

	2017 €'000	2016 €'000
On loans and overdraft	**4,162**	4,844
Finance arrangement expenses	**2,243**	3,022
OML 18 Production Arrangement – fees	**–**	4,904
Fair value charge on issue of options and warrants (Note 24)	**171**	255
	6,576	13,025

7. Finance income

	2017 €'000	2016 €'000
Deposit interest received	**9**	2
Interest and fees receivable from NSP Investment Holdings Limited (Note 19)	**497**	–
	506	2

8. OML 18 Production Arrangement

	2017 €'000	2016 €'000
Interest income on Loan Notes (Note 17)	**34,619**	8,843
Foreign exchange (loss) / gain on Loan Notes (Note 17)	**(18,901)**	7,958
	15,718	16,801

9. Personnel expenses

Number of employees

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

	2017 Number	2016 Number
Directors	**8**	5
Administration	**12**	15
Technical	**7**	14
Seismic crew	**7**	9
	34	43

Employment costs (including Directors)

	2017 €'000	2016 €'000
Wages and salaries (excluding Directors)	**1,736**	2,284
Directors' salaries	**1,349**	1,459
Director bonuses	**631**	1,034
Social welfare costs	**355**	387
Directors' fees	**636**	546
Shares to be issued in lieu of Director's salary#~	**812**	277
Shares issued in lieu of Director's salary#~	**–**	601
Share based payment charge for options issued to Directors	**–**	2,525
Employees' pension	**43**	301
Directors' pension	**84**	121
	5,646	9,535

Oisín Fanning is due 2,542,432 ordinary shares in lieu of 80% of his salary for the period from 1 January 2017 to 31 December 2017 and €811,514 has been recognised in share based payments in respect of this.

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.

~ In addition to the emoluments above, in accordance with IFRS 2, share based payments, a cost of €Nil (2016: €2,525,125) 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, €0.3 million (2016: €0.6 million) was capitalised in exploration and evaluation assets in respect of Group employment costs above, €0.2 million of which were subsequently impaired/written off.

The Group contributes to a defined contribution pension scheme for certain executives and employees. The scheme is administered by trustees and is independent of the Group finances. Total contributions by the Group to the pension scheme, including contributions for Directors amounted to €0.1 million (2016: €0.4 million).

10. Income tax expense

	2017 €'000	2016 €'000
Current tax		
Current year income tax	**4**	21
Deferred tax		
Origination and reversal of temporary differences (Note 31)	**2,195**	(2,248)
Total income tax charge/(credit)	**2,199**	(2,227)

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

	2017 €'000	2016 €'000
(Loss)/profit before income tax	**(71,328)**	3,490
Tax on (loss) / profit at applicable Irish corporation tax rate of 25% (2016: 25%)	**(17,832)**	873
Effects of:		
Losses utilised in year	**(2,198)**	–
Expenses not deductible / (not taxable) for tax purposes	**19,789**	(6,782)
Income tax withheld	**3**	3
Polish tax liability	**1**	18
Origination and reversal of temporary differences	**–**	(2,248)
Excess losses carried forward	**2,436**	5,909
Tax charge/(credit) for the year	**2,199**	(2,227)

11. Earnings per share

Basic earnings per share

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

	2017 €'000	2016 €'000
(Loss)/profit for the year	**(73,527)**	5,717

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

	Number of shares	Number of shares
In issue at start of year	**443,025,720**	61,809,052
Effect of shares issued in the year	**11,446,333**	105,487,351
Weighted average number of ordinary shares in issue (basic)	**454,472,053**	167,296,403
Basic (loss)/earnings per ordinary share (cent)	**(16.18)**	3.42

11. Earnings per share continued

Diluted earnings per share

Diluted earnings per share is calculated by dividing the 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:

	2017 €'000	2016 €'000
(Loss)/profit for the year (diluted)	**(73,527)**	5,717

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

	Number of shares	Number of shares
Basic weighted average number of shares in issue during the year	**454,472,053**	167,296,403
Effect of share options and warrants in issue	**890,511**	3,946,073
	455,362,564	171,242,476
Diluted (loss)/earnings per ordinary share (cent)	**(16.15)**	3.34

At 31 December 2017, a total of 33,706,327 (2016: 41,710,972) 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 2016	47,532
Additions	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)
Write off/impairment of exploration assets	(9,300)
At 31 December 2016	**44,621**
Additions (ii)	485
Write off/impairment of exploration assets	(42,783)
Currency translation adjustment	178
At 31 December 2017	**2,501**

12. Intangible assets continued

Company	Exploration and evaluation assets € 000
Cost and net book value	
At 1 January 2016	–
Transfer from property, plant and equipment (assets under construction) (Note 14)	9,020
At 31 December 2016	9,020
Impairment of exploration assets	(9,020)
At 31 December 2017	–

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

(i) The following geographical exploration areas in the Group were impaired / written off during the year:

	2017 €'000	2016 €'000
Albania	5,995	–
Morocco	28,946	6,439
Poland	7,842	2,861
	42,783	9,300

(ii) This is the net amount incurred by San Leon Energy and excludes amounts attributable to joint operating partners of nil in 2017 (2016: €Nil).

The Directors have considered the carrying value at 31 December 2017 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 €42.8 million (2016: €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.

13. Equity accounted investments

Group	2017 €'000	2016 €'000
Cost and net book value		
At 1 January	**74,382**	11,375
Acquisition of OML equity interest		57,471
Disposal of interests	**–**	(11,428)
Advances to equity accounted investments	**–**	53
Share of (loss)/profit of equity accounted investments	**(7,079)**	12,217
Exchange rate adjustment	**(9,007)**	4,694
At 31 December	**58,296**	74,382

The Group's joint venture entities at 31 December 2017 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
Midwestern Leon Petroleum Limited	5th Floor Barkly Wharf, Le Caudan Waterfront, Port Louis, Republic of Mauritius

2017

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

	Olesnica LLP (i)	South Prabuty LLP (i)	Wielun LLP (i)	Midwestern Leon Petroleum Limited (ii)	Total
Equity Interest	75%	75%	0%	40%	

	€ '000	€ '000	€ '000	€ '000	€ '000
Revenue	–	–	–	–	**–**
(Loss) from continuing operations	–	–	–	(17,698)	**(17,698)**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive loss	–	–	–	(17,698)	**(17,698)**
Non-current assets	–	–	–	167,780	**167,780**
Current Assets (excluding cash)	1	1	–	189,752	**189,754**
Cash	–	2	–	–	**2**
Non-current liabilities	–	–	–	(60,690)	**(60,690)**
Current liabilities	(4)	(4)	–	(151,101)	**(151,109)**
Net assets/(liabilities)	(3)	(1)	–	145,741	**145,737**
Group's interest in net assets of investee at 1 January 2017	–	–	–	74,382	**74,382**
Share of loss	–	–	–	(7,079)	**(7,079)**
Group's interest in net assets of investee at end of year	–	–	–	67,303	**67,303**
Foreign exchange	–	–	–	(9,007)	**(9,007)**
Carrying amount of interest in investee at 31 December 2017	–	–	–	58,296	**58,296**

(i) During December 2015, the Company made a decision to exit the South Prabuty, Olesnica and Wielun concessions. The Company's investments in the South Prabuty, Olesnica and Wielun joint ventures were fully impaired at that time. In December 2016, the Company transferred its 75% interest in Wielun LLP to Strzelecki Energia Sp. z o.o. for nil consideration. South Prabuty LLP and Wielun LLP were dissolved on 5 June 2018 and 15 May 2018 respectively. Olesnica LLP will also be dissolved in due course.

(ii) During 2016 the Company acquired a 40% non-controlling interest in MLPL as part of the OML 18 Production Arrangement transaction. Full details of the OML 18 Producion Arrangement are set out in Note 17(i). The movement during 2017 partly reflects an exchange rate loss of €9.0 million as the underlying investment is in US$'s which significantly weakened against the Euro. Further a share of the loss of MLPL being administrative costs of €1.0 million, net finance costs of €4.8 million, profit on investment of €0.8 million and a tax charge of €2.1 million.

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)	Midwestern Leon Petroleum Limited (ii)	Energia Torzym Sp. Z o.o. Spk (iii)	Energia Cybinka Sp. Z o.o. Spk (iii)	Poznan Energy B.V. (iv)	TSH Energy Joint Venture B.V. (iv)	Total €'000
Equity Interest	75%	75%	75%	40%	70%	70%	35%	35%	

	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	–	–	–	–	–	–	–	–	–
Profit/(loss) from continuing operations	(1)	(1)	(1)	76,378	(11,170)*	(4,006)*	–	–	61,199
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	(1)	(1)	(1)	76,378	(11,170)	(4,006)	–	–	61,199
Non-current assets	962	853	799	188,497	–	–	–	–	191,111
Current Assets (excluding cash)	1	1	1	196,887	4	2	–	–	196,896
Cash	1	1	1	–	69	9	–	–	81
Non-current liabilities	–	–	–	(181,304)	–	–	–	–	(181,304)
Current liabilities	(983)	(863)	(811)	(18,128)	(11,448)	(4,140)	–	–	(36,373)
Net assets/(liabilities)	(19)	(8)	(10)	185,952	(11,375)	(4,129)	–	–	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	–	–	–	12,217	–	–	1,375	10,000	23,592
Acquisitions 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

* In 2015 impairment was recognised at group level in relation to the investment in the partnership.
\# Equity investment of €27.5 million plus bargain purchase of €30.0 million (Note 3).

(iii) 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.

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

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.

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 2016	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
Disposals	(98)	–	(22)	(24)	(144)
Currency translation adjustment	289	–	12	15	316
At 31 December 2017	**8,084**	**–**	**1,045**	**383**	**9,512**
Depreciation					
At 1 January 2016	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
Disposals	–	–	–	(14)	(14)
Charge for the year	775	–	7	–	782
Currency translation adjustment	261	–	10	14	285
At 31 December 2017	**5,714**	**–**	**1,025**	**375**	**7,114**
Net book values					
At 31 December 2017	**2,370**	**–**	**20**	**8**	**2,398**
At 31 December 2016	3,215	–	47	17	3,279

NOTES TO THE FINANCIAL STATEMENTS continued
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14. Property, plant and equipment – Company

	Assets under construction €'000	Office equipment €'000	Total €'000
Cost			
At 1 January 2016	9,024	437	9,461
Adjustment to Income statement	(4)	–	(4)
Transfer to intangible assets	(9,020)	–	(9,020)
At 31 December 2016	–	437	437
At 31 December 2017	**–**	**437**	**437**
Depreciation			
At 1 January 2016	–	404	404
Charge for the year	–	33	33
At 31 December 2016	–	437	437
Charge for the year	–	–	–
At 31 December 2017	**–**	**437**	**437**
Net book values			
At 31 December 2017	**–**	**–**	**–**
At 31 December 2016	–	–	–

15. Other non-current assets

	Group 2017 €'000	Group 2016 €'000	**Company 2017 €'000**	Company 2016 €'000
Deposits on Spanish oil and gas concession applications (i)	**92**	160	**–**	–
Deposits on Spanish oil and gas concessions (i)	**88**	97	**–**	–
	180	257	**–**	–

	Group 2017 €'000	Group 2016 €'000	**Company 2017 €'000**	Company 2016 €'000
At 1 January	**257**	833	**–**	–
Deposits returned (i)	**(77)**	(557)	**–**	–
Impairment	**–**	(19)	**–**	–
At 31 December	**180**	257	**–**	–

(i) The deposits paid are recoverable on completion of work programmes attached to each of the concessions. In 2017 the Ministry returned €77,380 to the Company in relation to oil and gas concession applications that were withdrawn by the Company.

16. Financial assets – Company

	2017 €'000	2016 €'000
Investment in subsidiary undertakings at cost:		
Balance at beginning of year	**47,038**	48,122
Investment in San Leon Energy Nigeria B.V.	**–**	27,545
Impairment during the year (i)	**(16,812)**	(28,629)
Balance at end of year	**30,226**	47,038

(i) The impairments to the Company's investment in subsidiary undertakings recorded in 2017 and 2016 reflect the write down in the carrying value of the Group's exploration and evaluation assets in each year.

At 31 December 2017, 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.	de Ronge 16, 1852 XB Heiloo, 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
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 5EH, United Kingdom
San Leon Energy Nigeria B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Energy (Iraq) Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
Indirectly held:	
Liesa Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Baltic Oil and Gas Sp. Z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Vabush Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Gora Energy Resources Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Braniewo Energy Sp. Z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Novaseis Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Helland Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
San Leon Services Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
San Leon Praszka Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Aurelian Oil and Gas Poland Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Cybinka Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Cybinka Sp. z o.o. Spk. #	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Torzym Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Torzym Sp. z o.o. SPK #	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Kalisz Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o. Spk.	ul. Zelazna 59, 00-848, Warsaw, Poland
Energia Bieszczady Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
T.K. Exploration Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Gdansk Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Szczawno Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland

16. Financial assets – Company continued

Name	Registered Office
Prusice Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
Kotlarka Energy Sp. z o.o.	ul. Zelazna 59, 00-848, Warsaw, Poland
San Leon Durresi B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Morocco B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Offshore Morocco B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Tarfaya Shale B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Seisquest B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Adriatiku B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Braniewo B.V.	de Ronge 16, 1852 XB Heiloo, 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.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Realm Energy International Holding B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Realm Energy European Investments B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Frontera Energy Corporation S.L.	Paseo Maria Agustin, 4-6, Esc 3. Piso 4, Zaragoza, 5004, Spain
San Leon Wielun B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Olesnica B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon South Prabuty B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Energy (UK) Limited	84 Brook Street, London, W1K 5EH, United Kingdom
AOG Finance Limited	84 Brook Street, London, W1K 5EH, United Kingdom
Balkan Explorers (Bulgaria) Limited	84 Brook Street, London, W1K 5EH, United Kingdom

During the year the Company acquired the remaining 30% of its equity accounted investments Energia Cybinka Sp. z o.o. Spk. and Energia Torzym Sp. z o.o. SPK, and continues to consolidated its decommissioning liabilities in full.

The Company is currently in the process of liquidating and or selling some of the above companies in line with its strategy to relinquish non-core interests.

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/Valuation					
At 1 January 2016	–	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
Finance income	34,619	–	–	–	34,619
Loan Notes receipts	(34,277)	–	–	–	(34,277)
Disposals	–	–	(31)	–	(31)
Exchange rate adjustment	(18,901)	–	–	–	(18,901)
Fair value movement	–	(5,874)	(22)	–	(5,896)
Impairment of unquoted shares	–	–	–	(3,171)	(3,171)
At 31 December 2017	134,825	42,643	29	2,189	179,686
Current	**61,785**	**–**	**–**	**–**	**61,785**
Non-current	**73,040**	**42,643**	**29**	**2,189**	**117,901**

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 2016	–	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
Finance income	34,619	–	–	–	34,619
Loan Notes receipts	(34,277)	–	–	–	(34,277)
Disposals	–	–	(31)	–	(31)
Exchange rate adjustment	(18,901)	–	–	–	(18,901)
Fair value movement	–	(5,874)	(22)	–	(5,896)
Impairment of unquoted shares	–	–	–	(3,171)	(3,171)
At 31 December 2017	134,825	42,643	29	2,189	179,686
Current	**61,785**	**–**	**–**	**–**	**61,785**
Non-current	**73,040**	**42,643**	**29**	**2,189**	**117,901**

17. Financial Assets continued

(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:

	2017 €,000	2016 €,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

In 2016, the Company undertook a number of steps to effect the purchase of its interest in the OML 18 Production Arrangement in 2016. 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.

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 Notes 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. San Leon is due to 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. San Leon is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, but the Loan Notes repayments must take priority over any dividend payments made to the MLPL shareholders.

Through its 50% shareholding in Eroton and other financial 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, San Leon is an indirect shareholder of Eroton, and the Company holds a 9.72% initial indirect 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 measurements
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 value would increase/(decrease) if: • US Dollar exchange rate increased/(decreased)

17. Financial Assets continued

The recoverability of the Group and Company's equity and Loan Notes investments in the MLPL arrangement is dependent on the ability of the OML 18 operator, Eroton, to make distributions. The NNPC has made substantial repayments to Eroton for 2015 and 2016 joint venture cash call arrears. However, significant outstanding arrears still remain unpaid, which if received would provide capital for further investment in OML 18. NNPC has been sent its 2017 and 2018 cash calls and it is hoped that the improved business climate and outlook will enable settlement of remaining arrears. 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 to repay interest and principal to San Leon. At the reporting date and at the date of approval of their financial statements these conditions have not been met by Eroton. As a consequence MLPL had to enter into a loan during 2017 and subsequently in order to be able to meet its obligations under the Loan Notes and make payments to San Leon. During 2017 San Leon received total payments under the Loan Notes totalling €34.3 million (US$39.6 million). All payments during 2017 were received by the due date and in accordance with the terms of the Loan Notes. The payments received during 2017 represent interest and no principal on the Loan Notes repaid. The Directors of San Leon have considered the carrying amounts of the Loan Notes and equity interest at 31 December 2017 and are satisfied that these are appropriate.

(ii) Barryroe – 4.5% Net Profit Interest

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 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.

The Company benchmarked project costs in 2013 with respect to opex and capex, and has used those estimates together with public information from Providence Resources and revised development plans as they become available, to refine its valuation model.

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 recently released by Providence and adapted for certain changes in the market, gives the basis for the best estimate of fair value at year end.

San Leon notes the 2018 farm-out announcement by Providence and has considered it in its approach to risking value to the Company. In previous years the Company has used a 10% discount rate within its economic model, while taking a conservative approach on the assumed oil price in order to reflect project risk. Due to the marked increase in oil price by the end of 2017, the Company has instead increased the discount rate applied to 15% to reflect its view of project risk, while adopting an oil price assumption which reflects the market.

17. Financial Assets continued

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 25 years • Oil price over the period is assumed to be US$55/bbl • Opex is discounted by 30% relative to original economic model, and capex by 40% to reflect market conditions • Discount rate 15% to apply risk (2016: 10%)	The estimated fair value would increase/(decrease) if: • 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 2017, the Company sold 100,000 of their ordinary shares in Amedeo Resources plc for value of €30,998. At 31 December 2017, the Company held 213,512 ordinary shares at a market value of €28,878 (2016: €82,389).

(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 to San Leon. 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 2017 and given the length of time to obtain Irish government approval for the transaction and the valuation of other similar entities that are listed on a stock exchange the Directors feel it is prudent to carry 15% of Ardilaun shares still to be issued to San Leon at a lower value of €2.2 million. Consequently, €3.2 million has been charged to the Income Statement in 2017.

(v) Poznan 10% Net Profit Interest

In 2016, San Leon sold its 35% interest in the Pozan assets for a consideration of €1 plus a 10% Net Profit Interest ("NPI"). A nil value has been placed on the NPI. Please see Note 4 for further details.

18. Inventory

	Group 2017 €'000	Group 2016 €'000	**Company 2017 €'000**	Company 2016 €'000
Spare parts and consumables	**282**	253	**–**	–

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 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Amounts falling due within one year:				
Trade receivables from joint operating partners	**219**	19	**12**	243
Amounts owed by group undertakings (i)	**–**	–	**2,263**	2,718
VAT and other taxes refundable (iv)	**160**	894	**36**	(12)
Other debtors (ii) (iii)	**3,778**	8,368	**598**	–
Prepayments	**190**	311	**84**	560
Accrued income	**–**	1,898	**–**	2,518
	4,347	11,490	**2,993**	6,027

(i) Amounts owed by The 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.

(ii) Other debtors includes €2.9 million (US$3.6 million) due from NSP Investments Holdings Ltd for the disposal of equity accounted investments detailed in Note 4. Other material amounts are disclosed in Note 33 (b).

(iii) During 2017, the Directors, due to the protracted nature of government approval with regard to the Ardilaun transaction and the length of time to receive a related payment being 36 months, in the event of approval, and a debtor which is in dispute, in order to be prudent, fully provided for $5.5m (€ 4.6m).

(iv) During 2017, a provision was made for €0.7 million in relation to VAT in an overseas jurisdiction deemed likely to be irrecoverable.

20. Other financial assets

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Restricted cash at bank	**–**	1,328	**–**	–

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
At 1 January	**1,328**	1,370	**–**	84
Cash return	**–**	(84)	**–**	(84)
Foreign exchange differences	**(161)**	42	**–**	–
Provision	**(1,167)**	–	**–**	–
At 31 December	**–**	1,328	**–**	–

Restricted cash at bank at 31 December 2017 comprises 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") had 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. San Leon, in order to be prudent, has fully provided for the loss of monies (held in support of the bank guarantee) in the 2017 accounts. The Company is in negotiations with ONHYM regarding the licence including the work programme, the force majeure status and the recoverability of the bank guarantee and appropriateness of the penalty.

NOTES TO THE FINANCIAL STATEMENTS continued
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21. Cash and cash equivalents

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Cash and cash equivalents	**6,474**	177	**6,159**	1
Solicitor client account (i)	**1,657**	–	**1,657**	–
	8,131	177	**7,816**	1

(i) Solicitor client account at 31 December 2017 includes monies held at David M. Turner & Company Solicitors.

22. Held for sale assets and liabilities

In 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 sale and purchase agreements were 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.

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

	Group 2017 €'000	Group 2016 €'000
Assets:		
Exploration and evaluation assets (Note 12)	**–**	2,553
Liabilities:		
Decommissioning provision	**1,000**	1,000

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

Due to the protracted nature of approval from the Polish authorities, and in light of the fact the authorities initially indicated that based on information at that time approval would not be given, the Directors have concluded that it is prudent to fully write off the Polish assets held for sale.

However, the Directors are confident that governmental approval will be obtained in due course following the provision of further information to the Polish authorities, and the amount due to the company will be collected.

The held for sale exploration and evaluation assets at 31 December 2016 were €2.6 million. Further costs were incurred on these assets in 2017 of €0.5 million. During 2017 the held for sale exploration and evaluation assets were impaired by €3,135,621, in order to reduce their carrying value to fair value less costs to sell with the recoverable amount considered to be nil.

A liability of €1.0 million for decommissioning costs on the held for sale exploration and evaluation assets is maintained.

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

23. Trade and other payables

	Group 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Current				
Trade payables	**6,505**	7,432	**2,299**	2,448
Amounts owed to group undertakings (i)	**–**	–	**12,299**	25,741
PAYE/PRSI	**348**	211	**150**	31
Other creditors	**2,426**	1,270	**2,370**	1,262
Accruals	**4,859**	2,038	**2,814**	1,112
Director's Loan (Note 32)	**1,669**	347	**1,669**	347
	15,807	11,298	**21,601**	30,941

(i) Amounts owed to Group undertakings are interest free and repayable on demand with the exception of amounts due to 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 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Non-current				
Derivative	**426**	255	**426**	255
	426	255	**426**	255

In 2017 San Leon issued 100,000 warrants to Sorena Holdings Limited and 219,298 warrants to 21st Luxury Luxtech Fund Limited with an exercise price of £0.60 for a period of 3 years. The stock asset price was £0.55. San Leon also issued 300,000 warrants to 21st Luxury Luxtech Fund Limited with an exercise price of £0.30 for a period of 4 years. The stock asset price was £0.40. 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 £0.40 – £0.55 • Option strike price of £0.30 – £0.60 • Average maturity of 3 to 4 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 2017 €'000	Group 2016 €'000	Company 2017 €'000	Company 2016 €'000
Current				
YA Global Masters SPV Limited	**2,707**	4,273	**2,707**	4,273
LPL Finance Limited	**–**	2,010	**–**	2,010
Other	**1,439**	–	**1,439**	–
	4,146	6,283	**4,146**	6,283

During 2017 the movement with regard to loans and borrowings is detailed below.

YA Global Masters SPV Limited

As at the end of 2016 San Leon owed YA Global Masters SPV Limited €4,273,157 (US$4,504,334) in principal, interest, and fees.

During 2017 the obligation to YA Global Masters SPV Limited was renegotiated a number of times leading to additional fees of €1,198,146 (US$1,308,080). Interest charged for the year was €654,083 (US$742,402).

The payment to YA Global Masters SPV Limited of €2,967,326 (US$3,308.080) during the year was partly met with the issue of 6,254,905 San Leon shares at 32p per share €2,279,432 (US$2,550,000) with the remainder being in cash €687,894 (US$758,080). The foreign exchange movement on the loan during the year was €450,867.

The loan oustanding at 31 December 2017 is due to be repaid by instalments during 2018 with the two final payments in July and October.

Ken Fetherston

In late 2017 the Company received a loan of €1,000,000 from Ken Fetherston with interest and a fee of €261,178. This loan was fully repaid in early 2018.

Brandon Hill Capital Limited

In 2017, the Company received a number of loans from Brandon Hill Capital Limited totalling €1,240,325 (£1,087,330) inclusive of interest and foreign exchange movement. At 31 December 2017 the amount outstanding to Brandon Hill Capital Limited was €177,380 (£153,177). This was repaid in early 2018.

LPL Finance Limited

The loan outstanding at the end of 2016 was repaid at the end of March 2017 inclusive of interest and foreign exchange movement totalling €2,797,975 (£2,400,000).

A further loan was taken out in July 2017 for €2,800,336 (£2,500,000) and inclusive of interest and foreign exchange movement €4,661,438 (£4,138,000) was repaid in December 2017.

21st Luxury Luxtech

21st Luxury Luxtech provided two sums during 2017 €1,762,674 (£1,500,000) and €1,339,100 (£1,131,580) and a fee of 10% was charged (5% of which were in warrants) along with interest at 10% per annum (with additional interest due for late payment).

During 2017 €3,742,752 (£3,192,610) was repaid inclusive of fees, interest and foreign exchange movement to fully settle the loan.

Warrants, each representing 1 share in San Leon, were issued as follows: 219,298 at 60p and expire 28/2/2020, 300,000 at 30p and expire 17/05/2021, and 100,000 at 60p and expire 28/2/2020.

The 219,298 warrants are to be repriced to 40p.

26. Provisions for liabilities

Group	Decommissioning €'000	Arbitration €'000	Dissenting Shareholders €'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**
Increase/(decrease) in provision during the year	(235)	1,948	–	1,713
Paid during the year	–	(23,906)	(1,716)	(25,622)
Exchange rate adjustment	–	–	(106)	(106)
At 31 December 2017	**1,521**	**–**	**42**	**1,563**
Current	**1,521**	**–**	**42**	**1,563**
Non-current	**–**	**–**	**–**	**–**

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.

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 arbitration award was in relation to the purchase by Aurelian Oil & Gas Limited, San Leon's subsidiary, of Avobone's 10% shares in Energia Zachod Sp z.o.o – the titleholder of the Sierkierki asset.

The total settlement amount outstanding at 31 December 2016 was €20.6 million with interest accruing at a rate of 5% per annum until paid.

A total of €23.9 million was paid to Avobone during 2017 (inclusive of extension fees incurred arising from a delay in payments when due, interest, and further legal costs) representing a full discharge of amounts owed.

Dissenting shareholders

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 Q2 2018 the amount provided at 31 December 2017 was fully paid in cash to the shareholders.

27. Share capital – Group and Company

	Number of New Ordinary shares €0.01 each	Number of Deferred Ordinary shares €0.0001 each 'm	Authorised Equity €'000
Authorised equity			
At 1 January 2017 and 31 December 2017	15,500,000,000	1,265,259	155,000
	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	Share capital €'000	Share premium €'000
At 1 January 2016	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**
Issue of shares for cash	43,976,232	–	439	12,008
Issue of shares – debt for equity	6,254,905	–	63	2,217
Exercise of share options	7,000,000	–	70	2,321
At 31 December 2017	**500,256,857**	**1,265,259**	**131,529**	**418,049**

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 in 2016 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.

On 16 January 2017, the Company issued and allotted 3,000,000 New Ordinary Shares of €0.01 each to Robin Management Services and 4,000,000 New Ordinary Shares to DSA Investments Inc. in respect of options exercised relating to the OML 18 Production Agreement. The options were exercised at a price of £0.30 per share.

On 21 June 2017, the Company issued 6,254,905 New Ordinary Shares of €0.01 each 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 issued the shares in the Company to Yorkville at a price per share of £0.32 for a reduction in debt of €2,279,432.

On 19 December 2017, the Company issued 43,976,232 New Ordinary Shares of €0.01 each to Toscafund Asset Management LLP, Toscafund GP Limited and related entities in order to repay amounts drawndown by San Leon pursuant to a convertible loan facility of €12,447,982 (£11,000,000). The conversion price per New Ordinary Share was £0.25 each.

28. Reserves and non-controlling interest

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

Currency translation reserve

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

The recycling of the currency translation reserve of €28,478 relates to the realisation of the cumulative foreign currency gains on the disposal of non-core assets.

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.

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. 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 governs all future awards of share options made by San Leon. All employees, and certain Directors and consultants, may from time to time be eligible to receive a discretionary bonus to be awarded in the form of options over San Leon Ordinary shares. Historic options in respect of San Leon shares will continue to be governed by the terms and conditions set out in the historic share based payments scheme.

The Group's equity share options are equity settled share based payments as defined in IFRS 2: Share Based Payments. The total share based payment charge for the year has been calculated based on grant date fair value obtained using an option pricing model with a discount for market conditions applied based on a Monte Carlo simulator analysis where appropriate. The charge for the year is €1,382,000 (2016: €9,536,000) which includes the charge for the shares to be issued to Oisín Fanning in lieu of salary. The charge also includes the charge for options issued to the Directors of €Nil (2016: €2,525,125).

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

	2017		2016	
	Number of options/ warrants	**Weighted average exercise price**	Number of options/ warrants	Weighted average exercise price
Balance at beginning of the financial year	**41,710,972**	**£0.873**	10,017,043	£2.29
Granted during the year	**2,119,298**	**£0.410**	31,439,405	£0.35
Expired during the financial year	**(175,950)**	**£27.53**	(37,975)	£8.20
Effect of modification during the financial year	**(238,388)**	**£10.69**	292,499	£9.52
Exercised during the financial year	**(7,000,000)**	**£0.30**	–	–
Balance at end of the financial year	**36,415,932**	**£0.767**	41,710,972	£0.873
Exercisable at end of the financial year	**35,987,733**	**£0.686**	40,176,773	£0.721

29. Share Based Payments continued

The range of exercise prices of outstanding options/warrants at year end is £0.30-£35.00 (2016: £0.25 – £35.00)

The weighted average remaining contractual life for options/warrants outstanding at 31 December 2017 is 4.39 years (2016: 5.03 years).

7,000,000 (2016: nil) options were exercised in the current year at an exercise price of £0.30 per share.

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 2017 and 2016:

	2017	2016
Weighted average fair value of options granted during year	**£0.29**	£0.22
Weighted average share price of options at date of grant	**£0.41**	£0.35
Dividend yield	**0%**	0%
Expected volatility	**70%**	70%
Risk-free interest rate	**1.0% – 1.7%**	1.0% – 1.7%
Expected option life	**7 years**	7 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 operating leases are as follows:

Group	**Leasehold Property 2017 €'000**	**Total 2017 €'000**	Total 2016 €'000
Payable:			
Within one year	**823**	**823**	1,037
Between one and five years	**1,200**	**1,200**	3,263
Over five years	**2,325**	**2,325**	511
	4,348	**4,348**	4,811

Company	**Leasehold Property 2017 €'000**	**Total 2017 €'000**	Total 2016 €'000
Payable:			
Within one year	**300**	**300**	300
Between one and five years	**1,200**	**1,200**	1,200
Over five years	**2,325**	**2,325**	198
	3,825	**3,825**	1,698

30. Commitments and contingencies continued

(b) Exploration, evaluation and development activities

The Group has commitments of approximately €Nil (2016: €1.5m) 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) Litigations

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	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Exploration and evaluation assets	–	–	–	–	–	–
Financial assets	–	–	(13,427)	(15,416)	(13,427)	(15,416)
Tax losses recognised	5,889	8,084	–	–	5,889	8,084
	5,889	8,084	(13,427)	(15,416)	(7,538)	(7,332)

	2017 €'000	2016 €'000
At 1 January	(7,332)	(9,086)
Expense for the year recognised in the income statement (Note 10)	(2,195)	2,248
Deferred tax on fair value movements in financial assets	1,989	(494)
At 31 December	(7,538)	(7,332)

	Assets		Liabilities		Net	
Company	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Exploration and evaluation assets	–	–	–	–	–	–
Financial assets – Net Profit Interest	–	–	(13,427)	(15,416)	(13,427)	(15,416)
Tax losses recognised	5,855	7,789	–	–	5,855	7,789
	5,855	7,789	(13,427)	(15,416)	(7,572)	(7,627)

Unrecognised deferred tax assets

Group	2017 €'000	2016 €'000
Tax losses	14,862	13,582
Capitalised expenditure	28,257	29,812
	43,119	43,394

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

The Company and Group has related party transactions with i) directors ii) shareholders iii) subsidiaries and iv) other entities with which it has entered into business arrangements (NSP Investments Holdings Ltd, previously referred to as Palomar, and various companies a party to the OML 18 Production Arrangement). Due to the influence or material interest that these parties have in transactions with the Company or Group they are required to be disclosed and are detailed below.

Property

The Company holds an option to acquire a property at market value from Mr. Fanning. The option has a remaining life of nine years and the option fee of €338,131.04 (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 €137,108 (£120,000) (2016: €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 the loan due to Mr. Fanning is set out below:

	€'000
At 1 January 2017	(347)
Repayments by the Company during the year	371
Undertaking fees due*	(1,683)
Net Director's fees due	(14)
Exchange rate adjustment	4
At 31 December 2017	**(1,669)**

At 31 December 2017 Mr. Fanning was owed €1,669,011 by the Company.

* Oisín Fanning is due €1,682,879 in respect of personal loan guarantees provided by him, on behalf of the Company.
Oisín Fanning is also due 3,052,942 ordinary shares in lieu of 80% of his salary for the period 1 September 2016 to 31 December 2017.

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 2017 (2016: €156,000). Raymond King is the sole Director and shareholder of Surplan Limited. In addition Raymond King was paid €30,000 Director fees in 2017.

Discovery Energy Limited

The Company and Discovery Energy Limited have a common Director, Ewen Ainsworth. Discovery Energy Limited is due to be paid €23,057 for outstanding amounts due for 2017 (2016: €20,320). Please see the Director's emolument table on page 41 which includes the amount due to Discovery Energy Limited. Ewen Ainsworth is the sole Director and shareholder of Discovery Energy Limited. In addition Ewen Ainsworth was paid a salary of €344,000 plus Director fees of €52,513 in 2017.

Greenbay Energy Resources Limited

San Leon Energy plc and Greenbay Energy Limited have a common Director, Mutiu Sunmonu. San Leon have a consultancy agreement with Greenbay Energy Limited who are due to be paid €80,573 for outstanding amounts due for 2017 (2016: €Nil). In addition Mutiu Sunmonu was paid Director fees of €58,348 in 2017.

32. Related party transactions continued

Palomar Natural Resources (Netherlands) B.V./NSP Investments Holdings Ltd

On 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 respectively. A 10% net profit interest was retained in the Poznan assets. Palomar is regarded as a related party as it already held the remaining interest in both TSH and Poznan.

The total cash consideration due to the Company for the sale of its 35% interest in TSH was US$9.0 million, of which US$4.5 million was received in November 2016. The balance of US$4.5 million plus accrued interest (the "Amount Due") was due to paid to San Leon on or before 1 October 2017. As announced on 2 January 2018 under a novation agreement and extension agreement dated 22 December 2017, the Amount Due is now the full responsibility of NSP Investments Holdings Ltd, a BVI registered company that holds a 35% interest in TSH. San Leon also announced that it had received a further US$1.5 million payment of the Amount Due. The Company is due to receive a further $3.6 million, including an extension fee plus any further accrued interest on or before 1 September 2018.

Tosca Asset Management LLP

Toscafund Asset Management LLP (Toscafund) is a related party on the basis that funds managed by Toscafund hold a 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. Further in December 2017, San Leon announced that it had agreed to issue 43,976,232 ordinary shares of EUR 0.01 each in the Company (the "New Ordinary Shares") to funds managed by Toscafund at a price per New Ordinary Share 25 pence each for approximately £11 million.

OML 18 Production Arrangement Transaction

Due to the substantive transaction(s) and parties involved in the OML 18 Production Arrangement they are regarded as related parties. The transactions which took place in 2016, and the various respective interests in the assets and entities, are detailed in the note below. These are still relevant and a 2017 update is also provided.

2016

On 22 January 2016 San Leon 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, 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 is the other shareholder of MLPL with a 60% interest.

MLPL purchased all of the shares in Martwestern, a company incorporated in Nigeria. Martwestern holds a 50% shareholding in Eroton, a company incorporated in Nigeria and the operator of the OML 18. 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 Notes instrument which attracts a coupon of 17%. Funds managed by 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 San Leon priced at £0.25 exercisable at the date of issue for 7 years. Funds managed by 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 San Leon as part of the placing in September 2016. Similarly San Leon 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).

32. Related party transactions continued

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 Notes payments to San Leon. 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 Notes securities as described below and following the transfer/assignment to San Leon, are now to the benefit of San Leon.

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 Notes instrument.

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 funds managed by Toscafund was the holder of Loan Notes. This security is now held by San Leon.

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 Notes.

San Leon is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, but the Loan Notes 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 San Leon, 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

2017

As detailed above 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 was to use the receipt of dividends to make Loan Notes repayments to San Leon.

In addition 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 to 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.

As a consequence MLPL had to enter into a loan during 2017 and subsequently in order to be able to meet its obligations under the Loan Notes and make payments to San Leon. During 2017 San Leon received total payments under the Loan Notes totalling €34.3 million (US$39.6 million). All payments during 2017 were received by the due date and in accordance with the terms of the Loan Notes. The payments received during 2017 represent interest and no principal on the Loan Notes was repaid.

32. Related party transactions continued

Key management

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

	2017 €'000	2016 €'000
Salary and emoluments	**1,349**	1,459
Bonuses	**631**	1,034
Shares to be issued in lieu of salary	**812**	277
Shares issued in lieu of salary	**–**	601
Fees and consulting services	**636**	546
Pension	**84**	121
Benefits	**45**	–
Share based payment expense	**–**	2,525
	3,557	6,563

Company

Transactions with subsidiaries

The Company 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 2017, the Company is owed €134.2 million (2016: €125.1 million) by its subsidiaries in respect of funds advanced to them and expenses discharged by the Company on their behalf. An impairment provision of €131.9 million (2016: €122.4 million) against these debts has been provided as at the year end. The Company owes €12.3 million (2016: €25.7 million) to subsidiaries in respect of funds received by and services provided to the Company.

33. Financial Instruments and Financial Risk Management

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

The main purpose of these financial instruments is to provide finance for the Group and Company's operations.

The Group 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 management. Management reviews and agrees policies for managing each of these risks in a non-speculative manner which are summarised below.

33. Financial Instruments and Financial Risk Management continued

(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 2017 and 2016, the Group did not utilise either forward currency contracts or other derivatives to manage foreign currency risk.

At 31 December 2017, 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)	**–**	**134,825**	**–**	**–**	**–**
Financial assets – Barryroe 4.5% net profit interest (Note 17)	**–**	**42,643**	**–**	**–**	**–**
Financial assets – Quoted shares (Note 17)	**29**	**–**	**–**	**–**	**–**
Trade and other receivables (Note 19)	**635**	**2,999**	**418**	**–**	**–**
Trade and other payables (Note 23)	**(1,788)**	**(2,509)**	**(572)**	**(82)**	**(240)**
Provisions (Note 26)	**–**	**–**	**(2,521)**	**(42)**	**–**
Loans and borrowings (payable within one year) (Note 25)	**(177)**	**(2,707)**	**–**	**–**	**–**
Cash and cash equivalents (Note 21)	**26**	**5,866**	**79**	**3**	**1**
Total 2017	**(1,275)**	**181,117**	**(2,596)**	**(121)**	**(239)**

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 2017, 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)	–	134,825	–	–	–
Financial assets – Barryroe 4.5% net profit interest (Note 17)	–	42,643	–	–	–
Financial assets – Quoted shares (Note 17)	29	–	–	–	–
Trade and other receivables (Note 19)	497	–	–	–	–
Trade and other payables (Note 23)	(1,689)	(1,851)	(183)	–	(14)
Loans and borrowings (payable within one year) (Note 25)	(177)	(2,707)	–	–	–
Cash and cash equivalents (Note 21)	26	5,845	–	–	1
Total 2017	(1,314)	178,755	(183)	–	(13)

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
Total 2016	**(4,331)**	**198,266**	**(174)**	**(45)**	**1**

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

	2017 Average rate	2017 Closing rate	2016 Average rate	2016 Closing rate
Sterling	0.87667	0.88723	0.81948	0.85618
US Dollars	1.1297	1.1993	1.1069	1.0541
Polish Zloty	4.2570	4.1770	4.3632	4.4103
Canadian Dollars	1.4647	1.5039	1.4659	1.4188
Moroccan Dirhams	11.0100	11.2197	10.8323	10.6436

Sensitivity analysis

If the Euro increased by 1% in value against the above currencies, the Group's loss for the year would increase and equity at year end would decrease by €1,751,344. A 1% decrease in the Euro value would have an equal but opposite effect.

If the Euro increased by 1% in value against the above currencies, the Company's loss for the year would increase and equity at year end would decrease by €1,754,906. A 1% decrease in the Euro value would have an equal but opposite effect.

33. Financial Instruments and Financial Risk Management continued

(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 is one material amount owed, €2.9 million (US$3.6 million) from NSP Investments Holdings Ltd. which is due on or before 1 September 2018. 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. Amounts in trade and other receivables impaired during 2017 are explained in Note 19 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. During 2017 as explained more fully in Note 32 Eroton was unable to make a dividend distribution during 2017. Consequently, MLPL had to enter into a loan in 2017 and subsequently, in order to be able to meet its obligations under the Loan Notes and make payments to San Leon. During 2017 San Leon received total payments under the Loan Notes totalling €34.3 million (US$39.6 million). A further €15.4 million (US$19.0 million) has been received in 2018. As at 31 December there was €151.0 million (US$181.0 million) due under the Loan Notes.

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.

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

	2017 € 000	2016 € 000
Euro	**2,155**	72
Sterling	**27**	9
US Dollar	**5,866**	14
Polish Zloty	**79**	76
Canadian Dollar	**3**	5
Moroccan Dirhams	**1**	1
Other	**–**	–
	8,131	177

33. Financial Instruments and Financial Risk Management continued

Cash deposits held by the Company are as follows:

	2017 € 000	2016 € 000
Euro	1,946	–
Sterling	26	–
US Dollar	5,843	–
Polish Zloty	–	–
Canadian Dollar	–	–
Moroccan Dirhams	1	1
Other	–	–
	7,816	1

(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 2017 are 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 (Note 23)	15,807	–	–	15,807
Derivative (Note 24)	426	–	–	426
Loans and borrowings (Note 25)	4,146	–	–	4,146
Provisions (Note 26)	1,563	–	–	1,563
	21,942	–	–	21,942

Company	Less than 1 year €'000	One to two years €'000	Two to five years €'000	Total €'000
Trade and other payables (Note 23)	21,601	–	–	21,601
Derivative (Note 24)	426	–	–	426
Loans and borrowings (Note 25)	4,146	–	–	4,146
	26,173	–	–	26,173

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

(d) Interest rate risk

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

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

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.

33. Financial Instruments and Financial Risk Management continued

(e) Capital management risk

The Group and Company manage 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 2017 and 31 December 2016. 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.

The Group net debt and equity, and the net debt to equity ratio at 31 December 2017 was as follows:

	2017 €'000	2016 €'000
Total Liabilities	**30,531**	51,746
Less: cash and cash equivalents	**8,131**	177
Adjusted net debt	**22,400**	51,569
Total equity	**225,341**	293,937
Adjusted net debt to equity ratio	**0.10**	0.18

(f) Financial assets and liabilities by category

The following table sets out the carrying value of all the financial assets and liabilities held at 31 December 2017:

Group	**Fair value 31 December 2017 €'000**	**Carrying amount 31 December 2017 €'000**	**Level 1 31 December 2017 €'000**	**Level 2 31 December 2017 €'000**	**Level 3^ 31 December 2017 €'000**
Financial assets					
OML 18 Production Agreement (Note 17)	**134,825**	**134,825**	**–**	**–**	**–**
Barryroe NPI (Note 17)	**42,643**	**42,643**	**–**	**–**	**42,643**
Quoted shares (Note 17)	**29**	**29**	**29**	**–**	**–**
Unquoted shares (Note 17)	**2,189**	**2,189**	**–**	**–**	**2,189**
Trade receivables* (Note 19)	**219**	**219**	**–**	**–**	**–**
Other financial asset* (Note 20)	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents* (Note 21)	**8,131**	**8,131**	**–**	**–**	**–**
Other debtors* (Note 19)	**3,778**	**3,778**	**–**	**–**	**–**
Financial liabilities					
Trade payables* (Note 23)	**(6,505)**	**(6,505)**	**–**	**–**	**–**
Other creditors* (Note 23)	**(2,426)**	**(2,426)**	**–**	**–**	**–**
Provisions (Note 26)	**(1,563)**	**(1,563)**	**–**	**–**	**–**
Derivative (Note 24)	**(426)**	**(426)**	**–**	**–**	**–**
At 31 December 2017	**180,894**	**180,894**	**29**	**–**	**44,832**

* 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

Company	Fair value 31 December 2017 €'000	Carrying amount 31 December 2017 €'000	Level 1 31 December 2017 €'000	Level 2 31 December 2017 €'000	Level 3^ 31 December 2017 €'000
Financial assets					
OML Production Agreement (Note 17)	134,825	134,825	–	–	–
Barryroe NPI (Note 17)	42,643	42,643	–	–	42,643
Quoted shares (Note 17)	29	29	29	–	–
Unquoted shares (Note 17)	2,189	2,189	–	–	2,189
Trade receivables* (Note 19)	12	12	–	–	–
Cash and cash equivalents* (Note 21)	7,816	7,816	–	–	–
Other debtors* (Note 19)	598	598	–	–	–
Financial liabilities					
Trade payables* (Note 23)	(2,299)	(2,299)	–	–	–
Derivative (Note 24)	(426)	(426)	–	–	–
At 31 December 2017	185,387	185,387	134,854	–	44,832

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

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

During the period ended 31 December 2017, 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 2017 and 31 December 2016, the Group and Company had no outstanding contracts designated as hedges.

34. Subsequent events

Appointments of Non-Executive Directors

San Leon announced on 16 January 2018 the appointment with immediate effect of Linda Beal as a Non-Executive Director. Linda Beal chairs the Audit Committee, and is also a member of the Remuneration Committee.

The appointment of Bill Higgs as a Non-Executive Director of the Company was announced on 24 May 2018.

Payment received in respect of Loan Notes

On 3 April 2018 San Leon announced it had received US$19 million in respect of the Loan Notes in full satisfaction of MLPL's obligations for Q1 2018. As announced on the 29 June 2018, US$11 million has been received in relation to the fourth quarterly Loan Notes payment and it has been confirmed to the Company that a further up to US$8 million will be paid by 30 June 2018. This will fulfil the fourth quarterly Loan Notes payment due to the Company by the end of June 2018.

Potential offers

San Leon confirmed on 5 January 2018 that discussions with both China Great United Petroleum (Holding) Limited ("CGUP"), originally announced on 28 June 2017, and Geron Energy Investment ("Geron"), originally announced on 21 December 2016, had been terminated. Both CGUP and Geron confirmed that they do not intend to make an offer for the issued and to be issued share capital of San Leon.

Resumption of trading in San Leon shares

San Leon announced on 3 November 2017 that it received a letter on 11 September 2017 from Midwestern Oil and Gas Limited ("Midwestern") with an indicative proposal that included San Leon acquiring Midwestern's shares in Midwestern Leon Petroleum Limited. Such an acquisition could constitute a reverse takeover under the AIM Rules for Companies (the "AIM Rules") and, in accordance with rule 14 of the AIM Rules, would require the publication of an AIM admission document ("Admission Document") and approval of shareholders of the Company at a general meeting to proceed. Accordingly, the Company's ordinary shares were suspended from trading pending the termination of these discussions or the publication of an Admission Document.

It was announced on 23 April 2018 that after careful consideration the board of San Leon determined that a combination with MLPL was not in the best interest of the San Leon shareholders at that time. San Leon requested the lifting of the suspension from trading of its shares on AIM and resumed trading at 7.30 am on 23 April 2018.

Appointment of NOMAD

Cantor Fitzgerald Europe ("Cantor Fitzgerald") was appointed San Leon's Nominated Adviser, financial adviser and broker on 24 April 2018.

34. Subsequent events continued

SunTrust Oil

San Leon confirmed on 9 May 2018 that it had received an application from SunTrust Oil ("SunTrust") seeking leave (asking for permission) from the High Court Nigeria Holden to serve a petition outside the jurisdiction of Nigeria in respect of alleged amounts due. The claim by SunTrust is in respect of alleged payments due for the sale of their shares in Martwestern.

The Company, having taken legal advice, believes the claim has no foundation (there being no outstanding liabilities to SunTrust from San Leon following the issue of San Leon shares to SunTrust in September 2016), and additionally, the Nigerian courts lack jurisdiction for any such claim. The Company confirmed it had instructed its Nigerian solicitors to file objections restraining the applications of SunTrust. This would have the effect of striking out the applications.

Further on 22 May 2018, the Company confirmed that it or its subsidiaries or legal counsel had not received any summons or were aware of the existence of any such summons.

On 24 May 2018 San Leon confirmed that it had been provided with a copy of correspondence between SunTrust Oil ("SunTrust) and the Nigerian Department of Petroleum Resources ("DPR"). The correspondence relates to a requirement under Nigerian law for the Minister of Petroleum Resources to consent to any assignment of interests in oil and gas assets in Nigeria and the fact that such consent was not obtained prior to the purchase by the Company of its indirect interest in OML 18.

San Leon obtained legal advice prior to the purchase which confirmed that, owing to the way that the transaction was structured (and specifically the nature of its indirect interest in OML 18), it was not necessary for Eroton to obtain prior consent from the Minister. Furthermore, San Leon had re-confirmed with its legal advisers that this position is correct and the DPR will be notified accordingly. In addition, the Company remains of the view that the purported allegations by SunTrust are without any foundation or merit.

35. Approval of financial statements

The Financial Statements were approved by the Board on 28 June 2018.

CORPORATE INFORMATION

Directors	Mutiu Sunmonu (Chairman) Oisín Fanning (Chief Executive Officer) Joel Price (Chief Operating Officer) Alan Campbell (Commercial and Business Development Director) Ewen Ainsworth (Finance Director) Raymond King (Non-Executive Director) Mark Phillips (Non-Executive Director) Nick Butler (Non-Executive Director) resigned 6 September 2017 Linda Beal (Non-Executive Direcrtor) appointed 16 January 2018 Bill Higgs (Non- Executive Director) appointed 22 May 2018		
Registered Office	First Floor Wilton Park House Wilton Place, Dublin 2		
Secretary	Raymond King FCIS		
Auditor	KPMG Chartered Accountants, Statutory Audit Firm 1 Stokes Place, St Stephen's Green Dublin 2		
Principal Bankers	Ulster Bank Ireland DAC 33 College Green, Dublin 2		
Solicitors	Whitney Moore Solicitors Wilton Park House Dublin 2	David M Turner & Co Solicitors 32 Lower Abbey Street Dublin	Fieldfisher LLP 2 Swan Lane London EC4R 3TT
Nominated Advisor and Joint Broker	Cantor Fitzgerald Europe 1 Churchill Place, Canary Wharf London E14 5EF		
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	Plunkett Communications 62b York Road Dun Laoghaire Co. Dublin	
Registered Number	237825		

GLOSSARY

2C	Best estimate of Contingent Resources
AIM	The London Stock Exchange's AIM market
AIM Rules	AIM Rules for Companies
BCF or bcf	Billion cubic feet
Bilton	Bilton Energy Limited
B.V.	Dutch private limited company
BVI	British Virgin Islands
CPR	Competent Person's Report
Eroton	Eroton Exploration and Production Company Limited
€'000	Euro, thousands
ESM	European Stability Mechanism
FSO	Floating Storage and Offloading
Group	San Leon and its subsidiaries
LLP	Limited liability partnership
Loan Notes	$174.5 million principal amount of 17% fixed rate loan notes acquired by San Leon pursuant to the amended and restated loan note instrument dated September 30, 2016 executed and issued by Midwestern Leon Petroleum Limited
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
Martwestern	Martwestern Energy Limited
MLPL	Midwestern Leon Petroleum Limited
MSA	Master Services Agreement
mmbbL	Million barrels
Nomad	A company that has been approved as a nominated advisor for AIM by the London Stock Exchange
NNPC	Nigerian National Petroleum Company
NPI	Net Profit Interest
PLC	A publicly held company
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	Yorkville Advisors Global LP

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

NOTES

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