SAN LEON ENERGY

An independent oil and gas company

Annual Report 2019

San Leon Energy plc ("San Leon" or the "Company") is a publicly listed energy company focused on Nigeria. The Company currently holds a 10.58% indirect economic interest in Oil Mining Lease 18 ("OML 18"), a producing asset located onshore Nigeria.

The Company is aiming to use OML 18 as a platform to become a leading independent production and exploration company focused on Nigeria and West Africa – by securing and developing further high potential asset opportunities that yield value to our shareholders.

Highlights

Corporate

- Returned approximately US$66.0 million to shareholders during the year and post year end delivering on the company's commitment to shareholder returns:
  - Tender offer completed in early 2019, repurchasing US$30.5 million of Company shares
  - A share repurchase of US$2.0 million of Company shares was also completed between October 2019 and January 2020
  - A special dividend of US$33.0 million was declared in May 2020.
- Appointed Lisa Mitchell as Chief Financial Officer and Executive Director.
- Completed the sale of interests in four Polish concessions to Horizon Petroleum Ltd as part of the Company's strategy to dispose of non-core assets.

OML 18 Operational

- Eroton Exploration and Production Limited ("Eroton") (the operator of OML 18) received a 20-year lease renewal for OML 18. The lease will now expire in 2039.
- Gross oil production before allocated losses was around 39,000 bopd. Removing the effect of field downtime, gross production during uptime was approximately 50,000 bopd (2018: 45,000 bopd).
- Two new wells drilled and completed with the third started (completed in April 2020). 14 workovers were performed during the year (cement packer reservoir zone changes, gas lift installations and retrofits, perforations and hot oil treatments).
- Oil sales averaged approximately 29,500 bopd (2018: 30,000 bopd) after overall downtime of 24% (largely associated with NCTL export pipeline downtime) and pipeline losses of 22% (2018: 12% downtime, 26% pipeline losses).
- Significant progress on planning new oil export pipeline and offshore storage facility, targeting reduced export downtime and losses – on track to be completed in the coming quarters.

Financial

- US$43.2 million received in cash from loan notes mechanism in OML 18 in 2019, further strengthening San Leon's financial position and outlook, also enabling the Company to start to deliver its shareholder return commitment.
- In January 2019, the Company reported the restructuring of the Reserves Based Lending ("RBL") facility held by Eroton which frees up near-term cash resources for operations.

San Leon at a glance

Considerable exploration potential exists across OML18, an asset which is larger than Bahrain

Material reserves in Nigeria

The 2016 Competent Person Report ("CPR") by Petrovision Energy Services ("Petrovision") illustrated the scale of the reserves applicable to OML 18 partners. A summary is provided in the table below.

Contingent resources and considerable exploration potential also exist across an asset which is larger than Bahrain. Further details regarding San Leon's investment in OML 18 can be found in Notes 13 and 17 of the Financial Statements and in the 2016 AIM admission document in the investors section of the Company's website.

OML 18	Gross technical reserves before economic cut-off		
	1P	2P	3P
Oil + Condensate (mmstb^)	389	576	777
Gas (bscf*)	3119	3213	5080

^ million stock tank barrels of oil. * billion standard cubic feet of gas.

Other assets

Nigeria is San Leon's core area. With the exception of the Barryroe Net Profit Interest ("NPI"), the Company is seeking to monetise or exit all other assets.

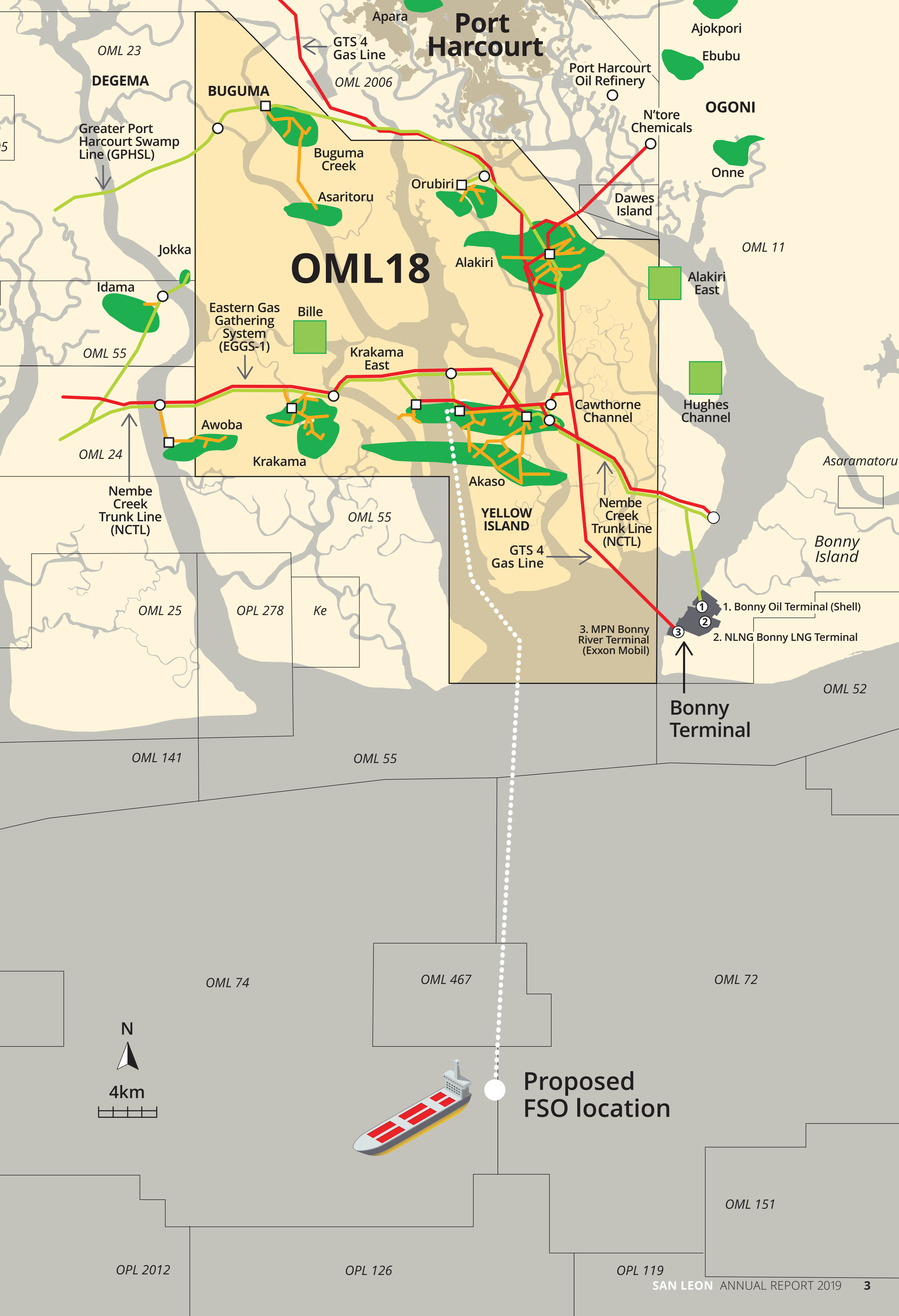
Ireland (Offshore) – Barryroe
San Leon holds a 4.5% NPI on the Barryroe oil field which is located in Standard Exploration Licence 1 / 11 in the North Celtic Sea, offshore Ireland. The field has had six hydrocarbon bearing wells successfully drilled on the structure. Providence Resources plc (the operator of Barryroe) continues to market the asset to gain a farm-in partner in order to progress to appraisal and development. The Directors note the delays to the planned work programme in 2019 and funding uncertainty created by a planned farm-in not completing. However, with the recent successful raise of additional working capital, change in directorship and reduction of corporate overheads the Directors believe that further progress will be made. Despite this, the Directors have reviewed information regarding timing, oil price, costs and risk, and consider it prudent to impair the carrying value of the Barryroe 4.5% NPI down to US$2.8 million, until the Directors are confident that necessary funding and a development plan is in place.

Albania
San Leon holds a 100% participating interest in the Durresi Block, offshore Albania. The licence area contains the A4-1X gas/condensate/light oil discovery, along trend from several existing analogous discoveries / developments in Italian waters, as well as several undrilled oil and gas prospects. The Company continues to negotiate to enter the appraisal stage, with a view to farming out the asset. In the previous year the Company impaired the asset to nil value to reflect the time that farm out is taking.

Poland
In August 2019, the Company completed the sale of interests in four Polish concessions to Horizon Petroleum Ltd as part of the Company's strategy to monetise non-core assets.

NovaSeis
The assets of NovaSeis are planned to be sold as part of the Company's exit from Poland.

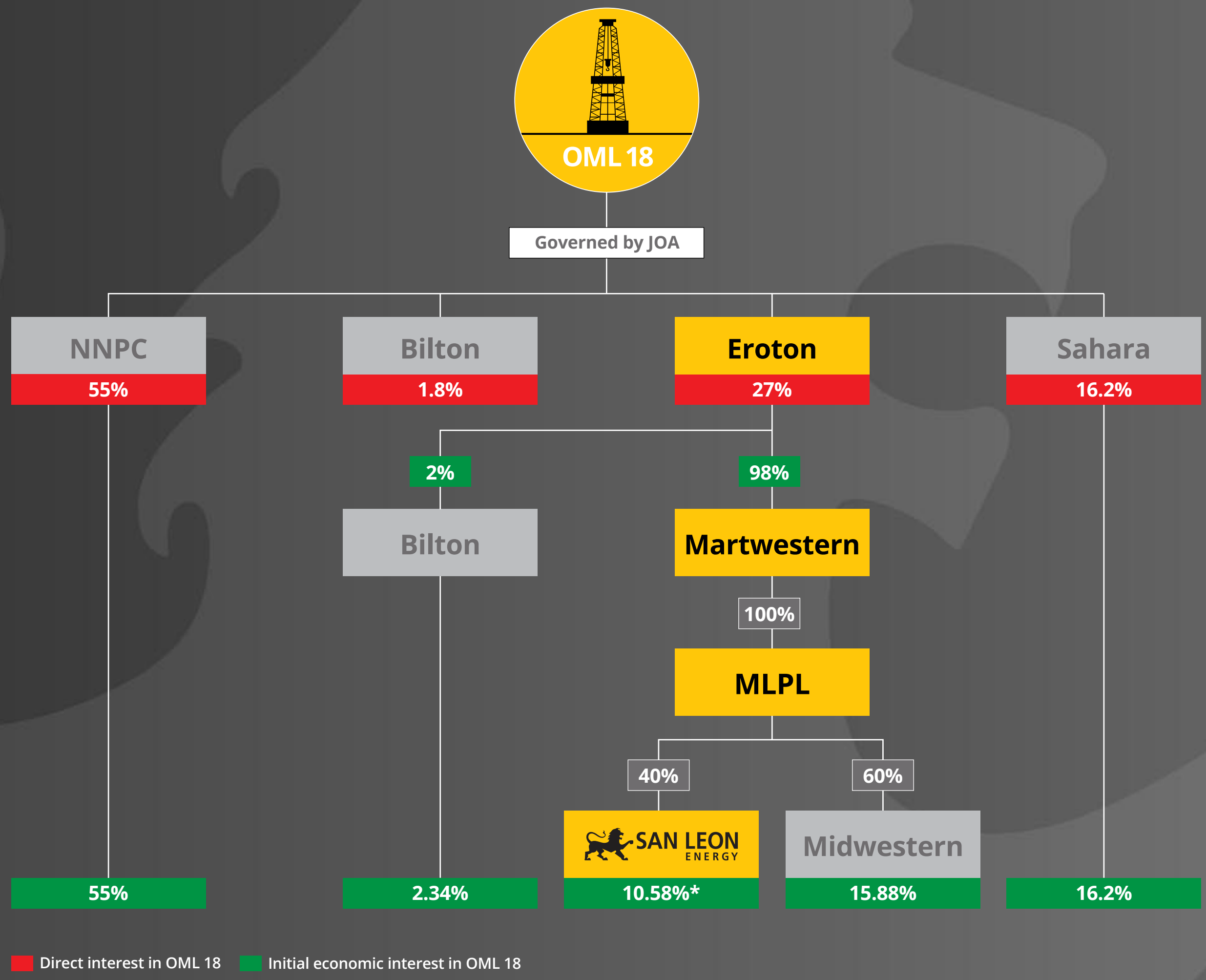
Ardilaun
As part of the consideration for the sale of Island Oil & Gas Limited to Ardilaun Energy Limited ("Ardilaun") in 2014, Ardilaun agreed to issue shares equivalent to 15% of the issued share capital of Ardilaun to San Leon Energy plc. The Directors consider it appropriate to impair the asset to nil value to reflect the uncertainty in timing for the assets within Island Oil & Gas Limited to receive approval by the Irish authorities.


Port Harcourt
Apara
GTS 4 Gas Line
OML 2006
OML 23
DEGEMA
BUGUMA
Greater Port Harcourt Swamp Line (GPHSL)
Buguma Creek
Asaritoru
Orubiri
Port Harcourt Oil Refinery
N'tore Chemicals
Ajokpori
Ebubu
OGONI
Onne
Dawes Island
OML 11
OML18
Alakiri
Alakiri East
Jokka
Idama
OML 55
Eastern Gas Gathering System (EGGS-1)
Bille
Krakama East
Hughes Channel
Cawthorne Channel
Awoba
Krakama
OML 24
Akaso
Asaramatoru
Nembe Creek Trunk Line (NCTL)
YELLOW ISLAND
Nembe Creek Trunk Line (NCTL)
GTS 4 Gas Line
Bonny Island
OML 25
OPL 278
Ke
1. Bonny Oil Terminal (Shell)
2. NLNG Bonny LNG Terminal
3. MPN Bonny River Terminal (Exxon Mobil)
OML 52
Bonny Terminal
OML 141
OML 55
OML 74
OML 467
OML 72
N
4km
Proposed FSO location
OML 151
OPL 2012
OPL 126
OPL 119

The Company's strategy is to become a leading independent production and exploration company focused on West Africa

We are seeking to achieve this by using our technical and operational expertise in securing production and near-term operating cash flow which will yield value to our shareholders whilst continuing to forge close links with governments, partners and the local communities that we operate in. We are targeting further dividend distributions to shareholders from our expected future cash flow.

San Leon holds an initial indirect 10.58% economic interest in OML 18



The parties in the OML 18 shareholding structure are described below.

NNPC: Nigerian National Petroleum Corporation is the state oil corporation of Nigeria.

Eroton: Eroton Exploration and Production Company Limited is the current operator that completed the purchase of 45% of OML 18 for US$1.1 billion from Shell, Total and ENI in March 2015. Following a farm out to Sahara and Bilton (see below), Eroton now holds a 27% interest in the licence.

Sahara: Sahara Field Production Limited is a Nigerian privately-owned integrated oil and gas company – part of a power and energy conglomerate established in 1996. Effective 16.2% stake was part of Eroton's original 45% purchase.

Bilton: Bilton Energy Limited is an indigenous company whose entry costs into OML 18 were carried by certain partners. Bilton has a 1.8% direct interest in OML 18 and also owns 50% of Eroton.

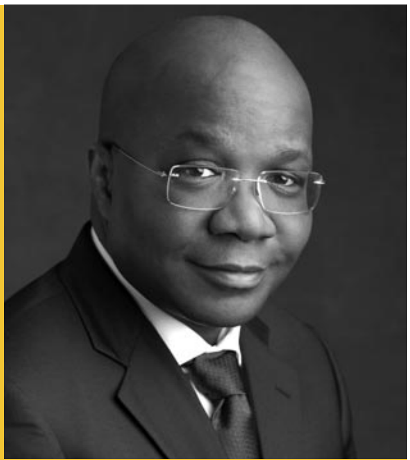
Martwestern: Martwestern Energy Limited is a Nigerian company 100%-owned by Midwestern Leon Petroleum Limited ("MLPL"). Martwestern owns 50% of Eroton (Bilton owns the remaining 50%).

MLPL: Midwestern Leon Petroleum Limited, a Mauritian incorporated special purpose vehicle, holding the combined OML 18 interest of both San Leon and Midwestern Oil & Gas Company Limited, through Martwestern.

Midwestern: Midwestern Oil and Gas Company Limited is a Nigerian company awarded operatorship of Umusadege Marginal Field located in OML 56, Nigeria, in 2003, increasing production from 3,000 to ~20,000 bopd.

* After various financial and production hurdles are met, San Leon's indirect economic interest in OML 18 reduces to 5.4%.

Chairman's statement



"The Company's financial position has gone from strength to strength since this time last year."

Mutiu Sunmonu
Chairman

San Leon has continued to make significant progress in the last year. The Company's financial position and outlook has been further strengthened in 2019 through the receipt of US$43.2 million in cash from the loan notes mechanism in its OML 18 investment, enabling us to carry out the inaugural distribution of returns to our shareholders through share repurchases. A further US$41.5 million in cash was received in 2020 after the reporting period.

Last year I reported the significant progress which was being made to address the operational and financial challenges with the Company's involvement in OML 18, onshore Nigeria. This year has seen further progress in this regard. Eroton has continued to drill new wells throughout 2019 as well as ensuring that the new oil export system would become operational during 2020 – this remains on track to be delivered in Q4 2020. Eroton has also succeeded in restructuring the RBL ("Reserve Based Lending") facility which frees up near-term cash resources for operations, which is again very welcome. The future tenure of the OML 18 block was also secured in 2019 by Eroton with the award of a 20-year licence extension.

West Africa, focusing on Nigeria, is where San Leon's activities and resources will continue to be concentrated, and we expect this focus to continue to deliver value for shareholders.

The Company still retains two non-Nigerian, non-core assets. These are the Durresi block offshore Albania, for which a farm out is being sought, and the Company's Net Profit Interest ("NPI") in the Barryroe field, offshore Ireland, where the operator, Providence Resources plc, is currently seeking a partner to fund appraisal and development drilling.

During the year, the Company fulfilled its pledge of returning value to shareholders and has now returned approximately US$66.0 million to shareholders since the start of 2019. This was delivered by repurchasing US$30.5 million of its own shares through a tender offer in March 2019, and the repurchase of a further US$2.0 million of Company shares was completed between October 2019 and January 2020. The Company also declared a special dividend of US$33.0 million after the reporting period in May 2020.

In June 2019 we welcomed Lisa Mitchell as Chief Financial Officer and Executive Director. Lisa has extensive and varied financial expertise as well as local Nigerian experience. Lisa worked previously as Chief Financial Officer at Lekoil Limited and Ophir Energy plc, having also held senior financial and Company Secretary positions with various other companies both in natural resources and other industries. Post year end, the Company appointed Adekolapo Ademola as a Non-Executive Director. Adekolapo brings a wealth of experience across a variety of disciplines with a strong focus on Nigeria. The Company would also like to thank the previous Finance Director, Ewen Ainsworth and Non-Executive Director, Bill Higgs for their service and wish them both well for the future.

Environment, Social and Governance ("ESG") is an area of increasing importance for businesses and shareholders. This is an area to which San Leon continues to be committed and is in the process of developing its own ESG strategy, which the Company anticipates will meet all the expectations of good international industry practice. As part of this we will continue ongoing engagement with all stakeholders and governments to ensure that we operate our business in a way that is sustainable and benefits the local communities in

US$43.2m

Receipt of US$43.2 million in cash from OML 18 investment

20-year

The future tenure of the OML 18 block was also secured in 2019 by Eroton with the award of a 20-year licence extension

"This year has seen further progress, Eroton continued to drill new wells throughout 2019."

which we have a presence. The Company implemented several initiatives during the course of 2019 in Nigeria including the provision of educational support for disadvantaged children, the building of a new medical centre, and construction of a new classroom block at a school in Benue State has begun. This is in addition to our ongoing support of small women-led enterprises in Nassarawa and Benue States and the installation of motorised water boreholes.

Subsequent to year end, there has been significant turmoil in the financial markets due to the impact of the Covid-19 pandemic. This, along with certain geopolitical issues, has also led to a sharp fall and continued volatility in the oil price. Although this sharp decline is concerning, we do not expect significant long term impacts to our indirect interest in OML 18 or upon the Loan Notes, due to Eroton taking necessary steps to defer some operational and capital expenditure, observing work from home where possible for office employees, adjusting field location rotations and managing working capital. In addition to this, San Leon is in a strong financial position with cash on hand at 19 June 2020 of US$36.5 million. This allows the Company not only to survive the on-going market turmoil, but to take advantage of potential value-adding opportunities. The Company continues to monitor the situation and managing its financial position accordingly.

On receipt of US$40.0 million in Loan Note repayments in May 2020, the company amended the terms of the Loan Notes, extending the term out to December 2021. The Company anticipates a further cash receipt of US$10.0 million in October 2020, with the remaining outstanding balance, including interest, being repaid in H2 2021. With its increasing technical involvement in OML 18, relationships in-country, and strong balance sheet, San Leon is well-positioned to continue to realise value for shareholders from Nigeria. I look forward with confidence to updating shareholders on the achievement of these aims.

Mutiu Sunmonu
Chairman

24 June 2020

Four expected cash flow sources

Strong cash flow enabled the Company to complete a US$30.5 million share repurchase programme in March 2019, a further US$2.0 million between October 2019 to January 2020 and declared a US$33.0 million special dividend in May 2020.

US$43.2 million received in Loan Note payments in 2019, and a further US$41.5 million to date in 2020.

1 Loan notes repayment and interest

The Company entered into a Loan Notes agreement in September 2016 with MLPL, whereby, once certain conditions have been met and using an agreed distribution mechanism, San Leon would be repaid the par value of US$174.5 million* plus an annual coupon of 17% (accounted for as US$152.0 million at an annual 25% coupon under IFRS) through to 2020. In April 2020, it was agreed that the loan term would be extended through to 2021. The coupon would continue to accrue on the outstanding balance. By 31 December 2019, San Leon had received total cash inflows of US$149.1 million (interest and principal) due under the terms of the Loan Note. During H1 2020, a further payment of US$41.5 million was received, bringing total cash receipts to date to US$190.6 million, leaving US$82.1 million* at par value (before interest) (accounted for as US$79.5 million under IFRS) outstanding as of 6 April 2020.

Such receipts to date have largely been paid on behalf of MLPL due to the existence of guarantees to the Company under the Loan Notes instruments. The Company expects to receive a further US$10.0 million in 2020 with the remaining outstanding balance in 2021, and the Board, having assessed the risk of non-payment, anticipates that MLPL will continue to make Loan Notes repayments, noting that San Leon has various guarantees and a share pledge in place which provide some security for payments due to the Company under the Loan Notes.

2 Services revenue

San Leon provides certain technical services in relation to subsurface work on OML 18. The Company also has a Master Services Agreement to provide certain rig-related services to Eroton.

The Directors believe there will be a drilling hiatus on OML 18 due to the current oil price environment, and drilling may recommence during Q3 2021. Current expectation of services income is a continuation of the contract for its subsurface technical input and leadership.

No income has yet been recognised for technical services or under the Master Services Agreement.

3 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 provides technical support to Eroton.

No dividend has been paid by MLPL in 2019 because OML 18 cash flow has not been as hoped due to the operational issues summarised below.

Firstly, the majority of the 24% production downtime in 2019 was caused by problems in the third-party terminal and gathering system. Underlying production (production at the wellhead before pipeline losses) from the assets was approximately 50,000 bopd during 2019 before that downtime. This issue is being addressed by the planned implementation of the new export pipeline and Floating Storage and Offloading ("FSO") project, which has secured all necessary permissions and much of the equipment for which is now in country. Reducing field downtime is also expected to improve overall well performance. This is due to decreasing the time taken to bring all wells back to normal production rates again once the field is back operating.

Secondly, pipeline losses have been allocated to all operators by the Bonny Terminal operator. The 22% pipeline losses (reducing 2019 field oil sales further to approximately 29,500 bopd) have been a significant burden on net oil sales, albeit a lower level of pipeline losses than in 2018. The reason for the reduced pipeline losses is partially due to the installation of Lease Automatic Custody Transfer ("LACT") units in late 2018 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.

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 10.58% economic interest in OML 18.

As announced in January 2019, Eroton successfully refinanced the RBL facility with the effect of significantly reducing near-term RBL repayments, as well as reducing the Debt Service Reserve Account ("DSRA") requirement to approximately US$50.0 million.

The future ability of MLPL to pay dividends to its shareholders (including to San Leon) will require future payments of dividends by Eroton to Martwestern and from Martwestern to MLPL, and the settlement of MLPL's Loan Notes obligations.

The Directors have assessed the carrying value of the equity interest in MLPL, considering the above issues (Note 13), and have determined that it is not impaired.

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.

At year end, the Company has impaired the Net Profit Interest down to US$2.8 million.

* Refer to Alternate Performance Measures on page 121 for full reconciliation of IFRS numbers and Alternative Performance Measures.

US$30.5 million
Share repurchase programme in March 2019

US$33.0 million
Special dividend in May 2020

Cash generation, our current portfolio of potential sources for cash flow is:

NEAR TERM	MEDIUM TERM	LONG TERM

1 Loan Notes – Payment under the Loan Notes.

2 Services – Income from the provision of rig-based drilling and workover (and associated) services, and production services, under a Master Services Agreement ("MSA") with Eroton, the operator of OML 18, and/or provision of subsurface technical services to Eroton.

3 Dividend – Dividend payments as a consequence of holding an initial indirect 10.58% economic interest in OML 18.

4 Net Profit Interest – 4.5% Barryroe Net Profit Interest (through potential income or a potential sale).

OML 18 is positioned for its next stage in development

"The Company is in a very strong situation armed with such significant cash, and together with its professional relationships and people, believes it is well-positioned to grow and add further value to shareholders."

Oisín Fanning
CEO

2019 saw significant progress being made at OML 18 as the partners looked to advance the asset to its next phase of development.

Eroton continued drilling three new wells as well as ensuring considerable progress on the new oil export system (Alternative Crude Oil Evacuation and Storage system, or "ACOES"). Together, these activities are expected to enable Eroton to reap rewards for the partners and shareholders, including San Leon, as historic operational hurdles are overcome.

Downtime and allocated pipeline losses associated with the use of the Nembe Creek Trunk Line ("NCTL") have meant that both gross production at the wellhead and sales oil volumes were lower than expected. Gross oil production, taking out the effect of NCTL downtime, was around 50,000 bopd. Sales oil, including the effects of downtime and allocated losses, was around 29,500 bopd. It is notable that the pipeline losses attributable to OML 18 in 2019 were lower than 2018 (22% in 2019 versus 26% in 2018). This was largely due to the installation of LACT units on most of its production. The higher downtime in 2019 (24% compared with 12% in 2018) reflects a particularly challenging performance from NCTL, highlighting the need for an alternative.

The most positive impact on OML 18 oil sales is expected to be Eroton's agreement with Energy Link Infrastructure (Malta) Limited ("ELI"). ELI will finance and construct the ACOES and once commissioned, this system is expected, by Eroton, to significantly reduce the downtime and allocated pipeline losses currently associated with the NCTL. The NCTL was responsible for the majority of the approximately 20,000 bopd difference between gross production, when the pipeline is running, and average sales oil. In addition, it is anticipated that the FSO project will greatly improve overall well uptime.

In January 2019, San Leon also announced that Eroton had successfully restructured its RBL facility, providing a material boost to cash availability for operations, and reducing the burden of cash required in the DSRA.

San Leon is becoming increasingly involved with the subsurface technical input into OML 18 and has a contract to provide such services on OML 18, providing geoscience and engineering resource into well and reservoir planning. We believe that OML 18 is a world class asset and one that we look forward to developing further with our partners.

Other assets

San Leon holds a 4.5% NPI over the whole of the Barryroe oil and gas discovery, offshore Ireland. An NPI structure means that San Leon has no costs whatsoever with regard to Barryroe but has a right to a share of profits from the asset once Barryroe equity holders' costs have been recovered. Providence Resources plc (the operator of Barryroe) continues to seek a farm-in partner to progress appraisal and potential development.

The Company continues to discuss with the Albanian authorities the next phase of exploration on the offshore Durresi licence. The main target of interest on the block has an offset discovery (well A4-1X), and the recent installation by third parties of major gas pipeline infrastructure in the area provides additional options for asset monetisation. A farm-in partner is currently being sought for this block.

Cash flow

The Company has four anticipated sources of cash flow. As of 31 December 2019, cash receipts totalling US$149.1 million have come from the repayment of Loan Notes, including interest. The outstanding balance payable as of 6 April 2020 is US$82.1 million* at par value (US$79.5 million under IFRS), which continues to accrue interest. Final payment of the Loan Notes is anticipated in late 2021.

* Refer to Alternate Performance Measures on page 121 for full reconciliation of IFRS numbers and Alternative Performance Measures.

“San Leon is committed to meeting high standards of ESG practices across all aspects of the business.”

The Company's balance sheet is robust with cash on hand as at 19 June 2020 of US$36.5 million

The Company will also generate income from the provision of subsurface technical services to Eroton. In addition, future OML 18 rig activity is an opportunity for the Company to generate income from the provision of services under its Master Service Agreement with Eroton.

Cash flow from the Company's indirect shareholding in Eroton is anticipated once OML 18 is generating sufficient free cash flow.

Corporate

The first shareholder returns were provided in 2019 via share buybacks, in line with the Company's announced policy.

During May 2018 the first of several allegations by SunTrust Oil ("SunTrust") were made in the Nigerian press, against San Leon and other entities. The Company made it clear that all such allegations were spurious and would be vigorously defended. In June 2019 the Company announced that a number of parties, including San Leon and SunTrust had signed binding agreements which terminated all litigation against San Leon, and preclude any future such litigation. No consideration was paid by either party to the other.

Also, in June 2019, Midwestern Oil & Gas Limited, the Company's partner in MLPL, increased their shareholding in San Leon.

The appointment of Lisa Mitchell as Chief Financial Officer and Executive Director in 2019 has provided the Company with considerable financial as well as local Nigerian expertise. In April 2020, the Company added further strength to the Board with the appointment of Adekolapo Ademola as a Non-Executive Director, who brings with him extensive corporate Nigerian experience.

ESG

As discussed in the Chairman's statement ESG is becoming an area of increasing importance. This is an area in which San Leon is committed to meeting high standards of ESG practices across all aspects of the business. The Company is committed to the countries in which it operates and is dedicated to promoting sustainable growth as well as providing support to local communities in Nigeria. The Company firmly believes that by providing the younger generation with the valuable skills and education needed to succeed, the whole country will benefit from growth and prosperity.

Outlook

Oil price has been significantly affected since the beginning of Q1 2020, due to the combined effects of Covid-19 affecting demand, and quota disagreements within OPEC regarding how to deal with that reduction in demand. This uncertainty presents the Company with both risks and opportunities. The company's Statement of Financial Position is robust with cash in hand as at 19 June 2020 of US$36.5 million, which we believe puts us in a strong position to continue moving forward with our strategy and capitalise on current market turmoil with accretive opportunities. The Company is monitoring events closely, maintaining its financial strength whilst being ready to pursue any appropriate opportunities that may arise.

I look forward to updating shareholders with news of the planned continued operational activity on OML 18, its effect on net production, and how our various expected cash flow streams are performing. The Company is in a very strong situation armed with such significant cash, and together with its professional relationships and people, believes it is well-positioned to grow and add further value to shareholders.

Oisín Fanning
CEO

24 June 2020

The Directors of San Leon Energy plc are committed to maintaining high standards of corporate governance to ensure the Company is run effectively. We aim to conduct our business in an open, honest and ethical manner. The Board is accountable to shareholders for good corporate governance and has adopted the procedures set out below in this regard.

Board of Directors

San Leon Energy is led by a team of specialist industry professionals

Mutiu Sunmonu
Non-Executive Chairman

Background and experience: Mr Sunmonu has led the Company as Non-Executive Chairman since the purchase of our indirect economic interest in OML 18 in September 2016. Mr Sunmonu is a former managing director of Shell Petroleum Development Company and was country chairman of Shell companies in Nigeria from 2008 to February 2015. He led Shell's multi-billion dollar operations in Nigeria employing over 4000 direct staff with revenue contribution to the Nigerian Government of ~$70 billion dollars during 2009 – 2013. He has worked in the industry for over 36 years in Nigeria, the UK and the Netherlands. His strategic vision, proven track record and deep knowledge of Nigeria, brings valuable Nigerian operating experience and relationships to San Leon Energy plc.
Committee memberships: Chair of Risk and Safety Committee, Member of Audit, Remuneration and Nomination Committees.

(Appointed 21 September 2016)

Oisín Fanning
Chief Executive Officer

Background and experience: Mr Fanning has almost 30 years' experience in structured finance, stockbroking and corporate finance, with 22 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, and was heavily involved with broking of Tullow Oil plc shares early in its growth phase. Oisín is both visionary and deeply practical in pursuing business goals on behalf of stakeholders. He recognises the importance of finding and developing talented people and building relationships with local governments, partners and communities.
Committee memberships: Member of Nomination Committee.

(Appointed 16 September 1995)

Joel Price
Chief Operating Officer

Background and experience: Mr 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-fracked horizontal wells in Poland. Joel was previously in various technical roles with Hess in the UK and Algeria, including extensive well workover and field rehabilitation, followed by three years as Business Development Manager at Delta Hydrocarbons BV in The Netherlands (evaluating opportunities worldwide). 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.

(Appointed 21 September 2016)

Lisa Mitchell
Chief Financial Officer

Background and experience: Ms Mitchell is an experienced Chief Financial Officer with over 25 years' international experience, across the oil and gas, mining and the pharmaceutical industries. She was most recently CFO and Executive Director of Lekoil Limited (AIM: LEK), the African focused oil and gas exploration and production company with interests in Nigeria. Previously, Lisa was CFO and Executive Director at Ophir Energy plc, formerly a FTSE 250 company (LSE:OPHR) where she was responsible for contributing to the overall business strategy of Ophir; leading the finance function including all financial, taxation, treasury and funding requirements and investor relations. Lisa's previous roles include CSL Limited, (ASX top 50) and Mobil Oil Australia. Lisa is a Certified Practicing Accountant (CPA Australia) and holds a Bachelor of Economics (major in Accounting) from La Trobe University, Melbourne and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

(Appointed 30 June 2019)

Alan Campbell: *Director of Commercial & Business Development and Company Secretary*

Background and experience: Mr Campbell has 17 years' experience in international business, banking and the oil & gas industry. He has project managed international merger, acquisition and divestment transactions valued at over US$350 million – including origination, negotiation, due diligence, deal structuring, closing, post deal integration and management. Mr Campbell holds a Master's Degree in Project Finance & Venture Management (First Class Honours). He has extensive commercial, evaluation, and strategic expertise, and ability to project manage and deliver objectives in often complex multi-faceted transactions.

(Appointed 21 September 2016)

Linda Beal: *Independent Non-Executive Director*

Background and experience: Ms Beal has over 30 years' experience with PwC including as a partner for 16 years specialising in the natural resources sector. She was also a partner for two years and became global leader for energy and natural resources at Grant Thornton. She has extensive experience of advising groups with African assets. Ms Beal is a chartered accountant and holds a degree in Mathematics from Nottingham University. Ms Beal is currently Non-Executive Director at Kropz plc, Aminex plc, Orca Exploration Group Inc and i3 Energy plc.

Committee memberships: Chair of Audit Committee and Member of Remuneration Committee.

(Appointed 16 January 2018)

Mark Phillips: *Independent Non-Executive Director*

Background and experience: Mr Phillips 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 and brings a wealth of economic, financial investment and strategic advice to the Board.

Committee memberships: Chair of Nomination and Remuneration Committees and Member of Audit Committee.

(Appointed 21 September 2016)

Adekolapo Ademola: *Non-Executive Director*

Background and experience: Mr Ademola is a marketing and business strategy specialist with over 30 years' experience. A Business Management graduate from the University of Jos, Nigeria with further training in the USA and UK. With extensive consulting experience across multiple industry sectors added to his 17+ years of involvement in the Nigerian Oil and Gas sector; Mr Ademola brings valuable regional knowledge, expertise and relationships to San Leon Energy plc.

(Appointed 7 April 2020)

Previous Directors

Bill Higgs: *Independent Non-Executive Director*

(Appointed 22 May 2018, Resigned 18 May 2020)

Ewen Ainsworth: *Finance Director*

(Appointed 21 September 2016, Resigned 30 June 2019)

Corporate governance statement

The Directors of San Leon Energy plc are committed to maintaining **high standards of corporate governance**

Corporate Governance

The Directors of San Leon Energy plc are committed to maintaining high standards of corporate governance to ensure the Company is run effectively. We aim to conduct our business in an open, honest and ethical manner. The Board is accountable to shareholders for good corporate governance and has adopted the procedures set out below in this regard.

The Board adopted the principles of the Quoted Companies Alliance Corporate Governance Code ("QCA Code"). The QCA Code is based on ten principles that focus on the pursuit of medium to long term value for shareholders. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in view of the Company's size, strategy, resources and stage of development, and below we provide an explanation of the approach taken in relation to each.

This report explains in broad terms how the Company applies the main principles of the QCA Code. We have identified one area where we are not in full compliance with the guidelines of the QCA Code detailed on page 20. This deviation is to Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair and relates to the participation of Non-Executive Directors in the Company's share option scheme and the impact on their independence.

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 Board meetings and monitors performance through timely and relevant reporting procedures.

The Board plays a central role in developing and maintaining the Company's culture and values by setting the 'tone from the top', defining the behaviours expected by the Board and ensuring that ethical standards are upheld. Thus, the Board aims for the right balance between entrepreneurial leadership and prudent and effective risk management, which are vital to maintaining a sustainable business and creating value for shareholders.

The QCA Code requires that the boards of AIM companies have an appropriate balance between Executive and Non-Executive Directors and should have at least two Independent Non-Executive Directors – a requirement which has been satisfied.

On 17 January 2019 the Board appointed Alan Campbell, Director of Commercial & Business Development, as Company Secretary with immediate effect.

At the date this Annual Report is published, the Board comprises the Chairman, four Executive Directors and three Non-Executive Directors. The Independent Non-Executive Directors are Mutiu Sunmonu (appointed 21 September 2016), Linda Beal (appointed 16 January 2018) and Mark Phillips (appointed 21 September 2016). On 7 April 2020 Mr Adekolapo Ademola was appointed to the Board as a Non-Independent Non-Executive Director on behalf of Midwestern Oil and Gas Company Limited. The following paragraphs set out the Company's compliance with the ten principles of the QCA Code.

Establish a strategy and business model which promote long-term value for shareholders

The Board establishes the Company's strategy which is reviewed at regular strategy meetings. The Executive Directors led by the Chief Executive Officer are responsible for executing the strategy once agreed by the Board. All developments in the Company's business are communicated to the shareholders via Regulatory News Service ("RNS") announcements, Annual Report and Accounts, half yearly announcements and in investor presentations at the Company's Annual General Meetings.

The Company's overall strategic objective is to secure and develop high-potential asset opportunities in West Africa and produce a near-term operating cash flow, yielding value to shareholders. We plan to grow the Company by carefully selecting new opportunities, particularly in Nigeria where we can achieve this through our technical expertise, operational capabilities and industry contacts, secured by the close links we forge with governments and the local communities. We have built our industry reputation as a capable operator in various European and African countries and our key asset is now the indirect economic interest in OML 18 – a world class asset onshore Nigeria. The Company continues to seek to monetise or otherwise dispose of its non-core assets and in keeping with that strategy allowed the Tarfaya Basin, Zag Basin and Tarfaya Oil Shale licences in Morocco to lapse in 2019.

Key challenges and risks around meeting this strategy and mitigants are detailed in the Directors' report on page 32. These are namely:

- continued financial strength through MLPL Loan Note repayments; and
- partnership risk.

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. The Company strives to develop strong working relationships with its partners and suppliers in its various operating locations to manage and mitigate the operational risks.

We are committed to operating a sustainable business and plan to incorporate Environmental, Social and Governance aspects to all future opportunities reviewed.

Capital distribution policy

As part of the Company's strategy to generate value for shareholders, within the Admission Document published in September 2016, the Company set out a shareholder distribution policy. The ability for the Company to make such distributions is dependent both upon the availability of cash to distribute, as well as having completed a required capital reorganisation in the Irish Courts. The capital reorganisation was completed in Q1 2019. As the first step in capital distribution, in March 2019 the Company announced and completed a tender to repurchase 50,475,000 shares, at a price of 46 pence per share (which was approximately 50% above the closing price before the tender announcement) with a value of US$30.5 million (£23.2 million). In October 2019, the Company announced a second share buyback programme up to a total of US$2.0 million. In January 2020 it was announced that the buyback programme had completed with the repurchase of 5,709,101 shares at an average price of 27.5 pence per share, with a value of US$2.0 million (£1.6 million). On 27 April 2020 the Company announced a special dividend of £27.0 million (US$33.0 million), or 6 pence per ordinary share, with an expected payment date of 29 May 2020.

Seek to understand and meet shareholder needs and expectations

The Company's Chief Executive Officer and other Executive Directors are responsible for shareholder liaison. They hold regular meetings with major shareholders and analysts to discuss the Company's strategy and performance and maintain a dialogue between the Company and its investors. Private investor events and investor roadshows are organised by the Company's brokers and public relations consultants, where the Chief Executive Officer and other Executive Directors meet with current (and potential future) institutional and retail shareholders and brokers to update them on the Company's progress.

The entire Board receives feedback following these meetings and any issues raised are discussed. Any significant reports from analysts are also circulated to the Board. By keeping open and transparent dialogue we can consider matters and discuss with shareholders in a positive and constructive way.

The Non-Executive Chairman and Independent Non-Executive Directors are available to meet with shareholders if required.

The Annual General Meeting ("AGM") is the main forum for dialogue between the Board and the shareholders. All Directors aim to attend the AGM. The Non-Executive Chairman, Mutiu Sunmonu, leads the AGM and takes questions from the floor. The Chairs of the Audit, Remuneration, Nomination and Risk and Safety Committees are on-hand to answer questions that may arise at the meeting. The full Board was present at the AGM on 27 September 2019 with the Committee Chair available to answer any questions regarding the activities of each of the Board Committees. At the AGM, all resolutions were passed.

All Directors receive regular industry and peer updates, to enable them to keep current on issues relevant to the Company and its shareholders.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company's ability to achieve its long-term success is dependent on good relations across a wide range of stakeholders both internally (employees) and externally (partners, suppliers, regulatory authorities, local governments and communities in which we operate).

Our employees are one of the most important stakeholder groups and the Board recognises the need for two-way communication with the workforce. The small size of the Company means that the Directors and senior managers are relatively accessible to all employees to provide and receive feedback. Staff attend committee meetings as required enabling two-way communication. The Executive Directors hold regular executive team meetings of which key messages are then relayed to their respective teams. To retain our highly skilled workforce and keep their satisfaction high, the Company offers competitive remuneration, employee share option awards and health and critical illness cover. We seek to ensure that all employees are treated fairly and with dignity. The Company has a zero tolerance policy towards any form of discrimination or harassment.

We recognise our responsibilities to the environment and community in the areas in which we operate. The Company places a high priority on operating to high standards of integrity and ethics. We recognise that our activities may have impact on the environment and therefore aim to minimise that impact by operating in a socially responsible manner, engaging with local, regional and national stakeholders where we are operator. Since the Company is not the operator of OML 18, it does not control these matters on OML 18.

The Company seeks to behave as a responsible employer and make positive contributions to the local economies in which we have an interest. Engagement with local communities in which we operate and conducting social work has helped them understand what we are doing. Please refer to the CSR report on page 39 for details on the initiatives and local community engagement made by the Company directly.

The Board is aware of its duty to act in good faith in the interests of the Company and complies with the obligations under section 228 of the Companies Act 2014. All the Company's stakeholders have access to contact information for communication with the Company. Any feedback will be respectfully acknowledged by the Company and appropriately dealt with.

Corporate governance statement

Continued

The Board believes that its investment in the wider stakeholder network will assist the Company's management in achieving its long-term goals by creating an environment of trust and communication which will have positive implications for the long-term success of the Company.

The Board believes holding the Company's responsibilities in high regard to be a requirement for building its business and being considered an operator or partner of choice.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board acknowledges its overall responsibility for ensuring that the Company has a robust framework of risk management and an appropriate system of internal control. However, any system can only provide reasonable, not absolute, assurance against material misstatement or loss and is designed to manage (but cannot eliminate) the risk of failure to achieve business objectives.

An updated risk management policy and procedure has recently been adopted which provides a procedure for the management of the Company's risk. As part of the risk management procedure, the Company has further developed its detailed risk register which identifies business continuity risks, corporate governance risks, security risks, financial risks, reputational risks and health, safety and environment protection risks. Reporting is required from each Executive Director and consists of quarterly reports assessing material changes within the risk profiles.

The Chief Financial Officer is in charge of collating the risk reports and presenting them to the Audit Committee quarterly. The Audit Committee reports on its activities and make recommendations to the Board as appropriate.

The Audit Committee also instigated two internal audit reviews, conducted by BDO, reporting directly to the Committee, of the following during 2019:

- information technology audit; and
- expenditure controls review.

The key risk management procedures include:

- preparation and review of budgets and cash flow projections for approval and expenditure monitoring;
- establishment of appropriate policies for the management of financial, industry and country-specific risk;
- regular management meetings to review operating and financial activities, and statutory staff requirements and committee meetings;
- consideration of industry and country-specific risks as part of the Company's review of strategy;
- recruitment of appropriately qualified and experienced staff to key financial and management positions; and
- preparation of financial statements.

Maintain the Board as a well-functioning, balanced team led by the Chair

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

The Board is specifically responsible for:

- approval of budgetary and business plans;
- approval of significant investments and capital expenditure;
- approval of annual and half-year results and interim management statements, accounting policies and the appointment and remuneration of the external auditors;
- approval of interim, and recommendation of final, dividends and buybacks;
- changes to the Group's capital structure and the issue of any securities;
- agreeing the Group's risk appetite, establishing and maintaining a system of internal control, governance and approval authorities;
- executive performance and succession planning;
- determining standards of ethics and policy in relation to health, safety, environment, social and community responsibilities; and
- disclosure to the market and shareholders.

The Board comprises the Non-Executive Chairman, four Executive Directors and three Non-Executive Directors. The Chairman, Mutiu Sunmonu, is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. He is not involved in the day-to-day operation of the Company. The Chairman is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. The Company's Independent Directors, Mutiu Sunmonu, Mark Phillips and Linda Beal are independent of management and any business or other relationships which would interfere with the exercise of their independent judgement.

The Chairman considers that the Company has a balanced and diverse Board with the requisite skills to build a successful, sustainable Nigerian-focussed oil and gas business.

To ensure that the Directors can properly carry out their roles, they are provided with relevant information and financial details prior to all Board meetings. All Directors have access to the advice and services of the Company Secretary; whose duty is to ensure that the Board complies with applicable rules and procedures.

The Board meets at least six times a year to discuss and decide the Company's business and strategic decisions and additional Board calls are held as required. In addition, there is a high degree of contact between the Directors outside of 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.

Each Board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend Board meetings and join ad hoc Board calls and offer availability for consultation when needed. The contractual arrangements between the Directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. Each Non-Executive Director is expected to attend not less than six board meetings in each calendar year as well as the Annual General Meeting and any Extraordinary General Meetings of the Company. However, in exceptional circumstances all Board members understand the need to commit additional time. The Executive Director roles are all full-time roles.

Board meetings attendance in 2019

	Maximum possible attendance	Meetings attended
Mutiu Sunmonu	11	9
Oisín Fanning	11	11
Joel Price	11	11
Ewen Ainsworth *	7	7
Lisa Mitchell ^	4	4
Alan Campbell	11	11
Linda Beal	11	10
Mark Phillips	11	11
Bill Higgs <	11	9

* *Resigned 30 June 2019.*
^ *Appointed 30 June 2019.*
< *Resigned 18 May 2020.*

The Board Committees

The Board has established four separate committees: Remuneration Committee, Audit Committee, Nomination Committee, and Risk and Safety Committee.

Remuneration Committee

The Remuneration Committee consists of the Chairman, and two Independent Non-Executive Directors and is chaired by Mark Phillips. The Remuneration Committee monitors the performance of the Company's Executive Directors and makes recommendations to the Board on the remuneration packages for the executives. 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 2019

	Number of meetings	Number of meetings attended
Mutiu Sunmonu	3	3
Mark Phillips (Chair)	3	3
Linda Beal	3	3

Audit Committee

The Audit Committee consists of the Chairman and two Independent Non-Executive Directors and is chaired by Linda Beal who has recent and relevant financial experience. The duties of the Audit Committee include the review of the accounting principles, policies and practices adopted in preparing the financial statements, internal control and risk management processes and the review of the Company's financial results. The Audit Committee considers the need for an internal audit function, reviews the risk management policies and procedures and is responsible for ensuring that adequate insurance cover is in place for identifiable risks. During the year the Audit Committee considered the need for internal audit and decided to appoint an external firm to conduct two internal audit reviews. The firm worked with the CFO on two workstreams during the year and reported directly into the Audit Committee with their final reviews and recommendations. For more details on the reviews please refer to the Audit Committee report on page 24.

The Audit Committee also considers how to maintain an appropriate relationship with the Company's auditors. The Audit Committee approves any fees in respect of non-audit services provided by external auditors to safeguard the external auditor's independence and objectivity.

Audit Committee meetings and attendance in 2019

	Number of meetings	Number of meetings attended
Mutiu Sunmonu	7	6
Mark Phillips	7	7
Linda Beal (Chair)	7	7

Nomination Committee

The Nomination Committee consists of the Chairman, the Chief Executive Officer and an Independent Non-Executive Director (Mark Phillips) who chairs the Nomination Committee. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board regarding any changes required.

It is responsible for locating appropriate senior candidates and conducting initial interviews and submitting recommendations on any appointment to the Board. There were two meetings held during the year whereby the Committee led the process for a new Board appointment and making recommendations to the Board.

Corporate governance statement

Continued

Nomination Committee meetings and attendance in 2019

	Number of meetings	Number of meetings attended
Mutiu Sunmonu	2	2
Mark Phillips (Chair)	2	2
Oisín Fanning	2	2

Risk and Safety Committee

The Risk and Safety Committee consists of the Chairman, the Chief Operating Officer and an Independent Non-Executive Director (Bill Higgs<) who chairs the Risk and Safety Committee. The Risk and Safety Committee is responsible for evaluating risks in Company operations including property, personnel, security and environmental risks and ensuring that appropriate procedures are in place for mitigating risk. The Risk and Safety Committee is also responsible for ethics and corporate social responsibility.

Risk and Safety Committee meetings and attendance in 2019

	Number of meetings	Number of meetings attended
Mutiu Sunmonu	1	1
Joel Price	1	1
Bill Higgs (Chair) <	1	1

< *Resigned 18 May 2020. The current Chair of the Risk and Safety Committee is Mutiu Sunmonu.*

Departures from the Code

Non-Executive Directors' participation in Option Schemes

The Company encourages Non-Executive Directors to participate in the Company's option schemes, and believes such participation enhances alignment between the Non-Executive Directors and shareholders. The Company does not currently comply with the QCA Code in this respect.

The Board believes that independence is a matter of independence of mind, judgement and integrity and that Mutiu Sunmonu, Mark Phillips and Linda Beal are independent of management. The Board considers their ability to act independently to be unaffected by participation in the Company's option scheme.

Nomination Committee

Oisín Fanning (Chief Executive Officer) sits on the Nomination Committee along with Mutiu Sunmonu (Non-Executive Chairman) and Mark Phillips (Non-Executive Director and Chair of the Nomination Committee). 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.

The Board accepts that it is unusual for the Company's Chief Executive Officer to be part of this Committee. However, Mr Fanning has almost 30 years' experience in structured finance, stockbroking and corporate finance, with 12 years specialising in the oil and gas industry and as such has many useful and relevant contacts. He recognises the importance of finding and developing talented people to help the Company achieve its objectives and without his direct input, the Committee would be denied his relevant opinion on suitable candidates to join the Board.

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board members bring extensive and diverse experience encompassing operational, financial, African, European, AIM and regulatory, commercial expertise and large and developing Company experience.

The Chairman believes that the Board should always have a suitable mix of skills and competencies covering all essential disciplines bringing a balanced and diverse perspective that is beneficial both operationally and strategically.

The Executive Directors bring significant listed company, oil and gas operations and financial, commercial and transactions experience. The Non-Executive Directors bring significant African oil and gas, investor, AIM and main board and financial expertise to the Board.

The nature of the Company's business requires the Directors to keep their skillset up to date. The Directors are kept informed on relevant regulatory compliance and statutory matters through briefings by external advisers and all Executive and Non-Executive Directors have access to the Company's external advisers.

During the year the Audit Committee engaged BDO to perform two internal audit reviews. The Audit Committee has secured external advice on tax and legal matters as required.

In addition to this, Gallaghers Insurance was used to perform a full insurance review across the business to ensure appropriate levels of cover.

The Board is supported by a Company Secretary who acts as a trusted advisor to the Chair and the Board. The Company Secretary plays a vital role in relations to both regulatory and legal compliance. As part of this role the Company Secretary assists the Chair in preparing for board meetings including dissemination of appropriate information.

The Directors receive regular briefing papers on the operational and financial performance of the Company from the executive and senior management.

All Company Non-Executive Directors also hold Director (Non-Executive or Executive) roles in other companies, helping to ensure broad and current experience. Further training is available at the Company's expense.

Summary background and diversity of the Board

Directors	Background: Oil & gas/ energy	Background: Finance/ commercial	Background: Investor	Diversity: Female	Diversity: Non-UK/ Irish
Mutiu Sunmonu	✓	✓	✓	–	✓
Oisín Fanning	✓	✓	✓	–	–
Joel Price	✓	✓	–	–	–
Ewen Ainsworth *	✓	✓	✓	–	–
Lisa Mitchell ^	✓	✓	✓	✓	✓
Alan Campbell	✓	✓	–	–	–
Linda Beal	✓	✓	–	✓	–
Mark Phillips	–	✓	✓	–	–
Bill Higgs <	✓	✓	–	–	–
Adekolapo Ademola #	✓	✓	✓	–	✓

* *Resigned 30 June 2019.*
^ *Appointed 30 June 2019.*
\# *Appointed 7 April 2020.*
< *Resigned 18 May 2020.*

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board considers that the combination of Non-Executive and Executive Directors is of sufficient competence and experience to support the strategy and development of the Company.

The Chairman and Nomination Committee will continue to review and monitor the strength and objectivity of the Board and seek improvement.

Succession planning

Succession planning is currently undertaken on an informal basis by the Chief Executive Officer in consultation with the Board. The Board is satisfied that this is appropriate for this stage in the Company's development. Succession planning will continue to be reviewed for 2020.

Formal evaluation of Board and Directors

The Chairman and Company Secretary, engaged the services of an independent consultant to conduct a Board evaluation in the latter half of 2018. As part of the engagement the independent consultant undertook the following:

- prepared a Board evaluation questionnaire which was issued to each of the Directors for completion on an anonymous basis;
- collated anonymised questionnaire responses and undertook an analysis of these responses;
- compared the responses received against best practices; and
- created a Board evaluation report to include findings and recommendations for review by the Chairman and Company Secretary, which was in turn presented by the Chairman to the Board which engendered a collective discussion by the Board on suggested performance enhancements.

The Board evaluation was finalised in January 2019 and the findings and recommendations were presented to the Board by the Chairman. The Board has actively implemented the key recommendations of the independent evaluation.

In summary the evaluation highlighted that the Board has a strong mix of experienced Executives and Non-Executive Directors led by an experienced Board Chair that is well respected by the Board. The Board has a genuine commitment and has made progress on embracing corporate governance best practices, attaining compliance with the QCA code and improving the Board team's effectiveness and performance. The Board has improved focus on strategic imperatives including the fostering of best practice in all areas of governance and ensuring that the Executive team and Non-Executive Directors closely collaborate on the development of strategy and ensuring its execution.

In line with the recommendations of the evaluation the Board has a clear set of formal KPI's, the quality of Board reporting has improved and a consistent approach across all sub-committees in terms of annual meeting schedules and frequency of meetings has been implemented.

Promote a corporate culture that is based on ethical values and behaviours

Our ethics

The Company is committed to upholding high ethical standards and principles, both in letter and in spirit, throughout all of our operations. The Company aspires to, and encourages its staff to, operate in a socially responsible manner, acting professionally at all times.

The Company is committed to a strong ethical and values-driven culture encompassing high standards of quality, honesty, openness and accountability, and understands that any issues counter to this culture could have an extremely negative impact on the business. The Company, its management, employees, contractors and partners have the responsibility of applying the highest standard of ethical business practices in all their relationships with shareholders, suppliers, and the general public.

Creating a fair and inclusive culture

The Company promotes an inclusive, transparent and respectful culture. Our people are our greatest asset. Led by the values of responsibility, excellence and continuous improvement, integrity and trustworthiness, cooperation and engagement, empathy and fairness they apply their skills and expertise every day to ensure we operate both responsibly and successfully. A culture based upon sound ethical values and behaviours is an asset and source of competitive advantage. Key to this is recruiting and retaining key senior personnel.

The Company is an equal opportunity employer and seeks to hire, endorse and retain highly skilled people based on merit, competence, performance, and business needs. The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

The Company communicates its corporate culture through staff presentations and inductions. To embody and promote sound ethical principles, the Board has endorsed the following key policies:

- HR handbook (UK and Ireland);
- Share-dealing Code;
- Anti-Bribery and Corruption Policy;
- Whistle Blowing Policy; and
- Health and Safety and Environmental Protection Policies.

Share-dealing Code

The Company has adopted a share-dealing code for Directors and applicable employees of the Company to ensure compliance with the provisions of the AIM Rules (including relating to the restrictions on dealings during closed periods in accordance with MAR and with Rule 21 of the AIM Rules for Companies). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM. The Company takes all reasonable steps to ensure compliance with the share-dealing code by the Directors and applicable employees with the terms of the share-dealing code and the relevant provisions of the AIM Rules (including Rule 21).

Health and Safety and Environmental Policy

The Company's objectives include observing the highest level of health and safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.

The Company is committed to providing a safe working environment for its employees and anyone doing work on the Company's behalf. The Risk and Safety Committee reviews and makes recommendations concerning risk, health and safety issues. The HS&E performance indicators and the safety of our employees are principal elements of our business and are fundamental to our culture and engagement with our stakeholders. HS&E is covered at Board meetings during discussion on operations.

Whistleblowing Policy

The Company has a Whistleblowing Policy in place to assist employees, suppliers, contractors and others with the reporting of any malpractice or illegal act or omission by others. The policy is reviewed at least every two years or more often if necessary and is communicated to all employees. It was last reviewed in December 2019 as part of the Audit Committee responsibilities.

Anti-Bribery and Corruption Policy

The Company's Anti-Bribery and Corruption Policy formalises the Company's zero-tolerance approach to bribery and corruption. The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, and to be aware of and refer to the Anti-Bribery and Corruption Policy in all of their business activities worldwide and to conduct all business in compliance with it. The Company seeks to enforce effective systems to counter bribery, such as secondary authorisations for payments.

The Policy was last reviewed in December 2019 as part of the Audit Committee responsibilities.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board of Directors recognises the importance of applying the highest standards of corporate governance to enable effective and efficient decision making, and to give a structural aid for Directors to discharge their duty to promote the success of the Company for the benefit of its shareholders.

The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the Company whilst delegating authority to individual Directors who are responsible for the day to day management of the business.

The following matters are reserved for the Board:

- all matters which exceed the authority delegated to the Group executives;
- mergers and acquisitions transactions;
- strategy, budgets and business plans;
- audit, financial and other reporting;
- changes in the capital structure of the Company and the issue of shares or other securities by the Company;
- policies and guidelines;
- internal controls and governance;
- appointment or removal of Directors and the Company Secretary;
- establishment of sub-boards and committees;
- appointment, re-appointment or removal of the auditors and any other corporate advisers;

- management development, remuneration and employee benefits; and
- returns to shareholders.

The Company conducts a review of the Company's governance framework each year and takes into account audit recommendations. The appropriateness of the Company's governance structures will continue to be reviewed in light of further developments of accepted best practice and the development of the Company. (Refer to the Audit Committee report for a description of the committee and the 2019 reviews on page 24.)

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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

The Board has been supported by an Audit Committee, Remuneration Committee, Nomination Committee and Risk and Safety Committee; details of their activities during 2019 can be found in each of their reports on pages 24 to 31.

The Company communicates with all stakeholders through its website, Regulatory News Service ("RNS") announcements, Annual Report and Accounts, half-yearly announcements, AGMs and private meetings.

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.

The Chief Executive Officer and other Executive Directors are responsible for communicating with major shareholders and other shareholders who wish to be part of a dialogue. The Board is briefed by the Chief Executive Officer regarding these discussions at each board meeting as required. Feedback by way of market updates, brokerage and communication reports, analyst and proxy agents is presented on an ad hoc basis as received.

The Chairs of the Audit, Remuneration, Nomination and Risk and Safety Committees are also available to answer questions at the AGM.

The Board discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to announcing proxy voting results in future and disclosing them on the Company's website. In the event that a significant portion of voters have voted against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

Signed on behalf of the Board by:

Mutiu Sunmonu
Non-Executive Chairman

24 June 2020

Audit Committee report

The Audit Committee reviews the effectiveness and implementation of the **risk management and internal control systems**

The Audit Committee comprises three members, all of whom are Independent Non-Executive Directors including the Chair, Linda Beal, who is considered by the Board to have recent and relevant financial experience. The Audit Committee meets formally at least four times a year and otherwise as required and also meets with the Company's external auditors at least twice a year.

Roles and responsibilities

The main roles and responsibilities of the Audit Committee are to:

- monitor the integrity of the financial statements, including review of the accounting policies, key judgements and estimates adopted in preparing the financial statements, and any formal announcements relating to financial performance;
- review and monitor the Company's financial reporting, internal control and risk management systems to ensure that effective risk management and financial control frameworks have been implemented;
- make recommendations to the Board in relation to the appointment, reappointment or removal of the external auditor and approve engagement terms and fees of the auditor;
- review and monitor the scope of the annual external audit;
- review and monitor the independence of the external auditor; and
- consider the need for an internal auditor.

Internal control and risk management

San Leon has established terms of reference for the Audit Committee. This includes overview of the identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its executives and senior managers. The objectives of this risk management policy are to:

- provide a structured risk management framework that will provide senior management and the Board with comfort that the risks confronting the organisation are identified and managed effectively;
- create an integrated risk management process owned and managed by the Group's personnel that is both continuous and effective;
- ensure that the management of risk is integrated into the development of strategic and business plans, and the achievement of the Group's vision and values; and
- ensure that the Board is regularly updated with reports by the Committee.

The Board also acknowledges its overall responsibility for ensuring that the Company has a system of internal control in place that is appropriate. This includes ensuring the implementation of policies and procedures that address risk identification and control, training and reporting.

Management is responsible for efficient and effective risk management across the activities of the Group.

The Audit Committee reviews the effectiveness of the implementation of the risk management system and internal control system annually. When reviewing risk management policies and the internal control system the Board takes into account the Company's legal obligations and also considers the reasonable expectations of the Company's stakeholders.

The key policies and procedures are:

- preparation of annual budgets for approval by the Board;
- ongoing review of expenditure and cash flow 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, along with delegations of authority and bank mandates;
- regular management, committee, and Board meetings, to review operating and financial activities;
- provide input in the recruitment of appropriately qualified and experienced staff to key financial and management positions;
- preparation of the annual report, related financial statements and annual audit thereof; and
- a risk management policy and procedure which incorporates a risk register to assist with the identification and management of risk.

The principal areas of risk for the Company are set out in the Directors' report on page 32.

The Audit Committee also ensures that appropriate procedures, resources and controls are in place to comply with the AIM rules and monitors compliance thereof. 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. There are also Anti-Bribery and Corruption, Whistleblowing, and Environmental Policies, as well as an annual review of compliance with the Irish Companies Act 2014.

In order to ensure the independence and objectivity of the external auditor, the Audit Committee reviews the provision of non-audit services by its external auditor to ensure that such services do not impair the independence or objectivity of the external auditor.

Activities of the Audit Committee

During 2019 the Audit Committee implemented various policies and procedures that were identified in the prior year review of controls and procedures. The following were implemented in the first half of 2019:

- adoption of an upgraded accounting system and improvements in resilience of the IT system;
- implementation of a central filing system for all major contracts and documents;
- improved annual report and accounts process;
- implementation of the Board performance review findings; and
- commissioned an independent review of insurance cover.

In addition, the Audit Committee considered the need for internal audit and decided to appoint an external firm to conduct two internal audit reviews in 2019. The internal auditor reported into the Audit Committee and the main processes of control reviewed are detailed below:

- Information technology (IT) audit
  - IT entry level controls
  - Cyber Security and Information security management
  - Data security, backup and recovery
  - Change management
  - IT third party management procedures
- Expenditure controls review
  - Procure to pay process
  - Segregation of duties and delegations
  - Expenditure governance and reporting
  - Budgeting and forecasting
  - Monthly reconciliation process

The IT audit report was considered by the Committee on 26 September 2019 and recommendations were discussed with management and an action plan timetable was agreed in Q4.

The Expenditure controls review report was considered by the Committee on 2 December 2019 with recommendations discussed with management and a timetable for implementation agreed to.

Management have also developed a Risk Management Policy and Procedure which was reviewed by the Audit Committee in February 2020. Part of this policy detailed the process by which risk is managed plus a procedure of review and reporting. A formal Corporate Risk Register has been developed in 2019 and as part of this process management reviews the key risks and mitigating factors quarterly.

The Audit Committee reviewed the Corporate Risk Register at its meeting on 8 June 2020 and will formally review it quarterly.

Other policies and procedures reviewed and implemented were:

- treasury policy; and
- banking delegations and signatories.

2019 financial statements

The Audit Committee reviewed the interim financial statements.

The Audit Committee reviewed the planning of the 2019 audit and annual report. With regard to the Group's financial statements, the Audit Committee considered:

- the appropriateness of the Group's key accounting policies;
- the clarity and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor; and
- whether the Annual Report and financial statements taken as a whole present a fair, balanced and understandable body of information that provides the data necessary for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee received and considered memoranda from management regarding these matters and discussed these with the external auditor.

The Audit Committee determined that the key risks of misstatement of the Group's financial statements related to the carrying value of the MLPL Loan Notes and equity interest and the Net Profit Interest (NPI) on the Barryroe oil field, IFRS 16 leases, Revenue recognition, change in presentational and functional currency and going concern. These matters were discussed with management during the year when the Committee considered the interim financial statements and in 2020 when the Committee reviewed the 2019 Annual report and financial statements.

Valuation of MLPL Loan Notes and equity interest

At 31 December 2019 there was US$108.4 million* at par value (US$114.3 million under IFRS) outstanding (before interest) on the MLPL Loan Notes. The value of the equity interest in MLPL at 31 December 2019 was US$51.9 million. The Audit Committee considered the ability of the underlying parties and assets to meet the obligation to the Company and the value of the equity interest both in the light of the performance to date and expected future performance. This is explained in detail in Note 17 of the financial statements.

* *Refer to Alternate Performance Measures on page 121 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

Audit Committee report

Continued

Valuation of 4.5% NPI on the Barryroe oil field

The carrying value of the 4.5% NPI on the Barryroe oil field at 31 December 2019 was impaired down to US$2.8 million. The Audit Committee considered the market-based valuation approach and assumptions included timing, oil price, costs and risk, and considered it reasonable and appropriate.

Going concern

The Audit Committee reviewed the detailed cash flow forecast for the Group and the Company for the period from 1 June 2020 to 31 December 2021, the principal assumptions underlying the cash flow forecast and the availability of finance to the Group. The Audit Committee considered that whilst any future Loan Notes payment, if delayed or not received, represents an uncertainty, the receipt of further Loan Notes payments is not required given the cash flow forecast assumptions including expected income from the provision of subsurface technical and management services in order for the Group to continue as a going concern. Therefore, the Audit Committee concluded that it was appropriate to recommend adoption of going concern as the basis of preparation of the financial statements.

Signed on behalf of the Audit Committee by:

Linda Beal
Audit Committee Chair

24 June 2020

The Group's policy on senior executive remuneration is designed to **attract and retain individuals of the highest calibre**

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.

Roles and Responsibilities

- Determine and agree with the Board the policy for the remuneration of the Chairman, the Executive Directors, the Company Secretary and such other members of the executive management as it is required by the Board to consider;
- review and approve long and short-term incentive plans and payments including but not limited to share incentive plans, option plans, performance targets, bonuses, goals and remuneration package recommendations from the Chief Executive Officer in respect of Executive Directors;
- review and approve long and short-term incentive plans for the Company; and
- consider any matters as may be requested by the Board.

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 2019 were as follows:

	Salary & emoluments US$'000	Bonus US$'000	Pension US$'000	Fees & services US$'000	Benefits US$'000	Shares to be issued US$'000	**2019 Total US$'000**
Mutiu Sunmonu #	–	–	–	153	–	–	**153**
Oisín Fanning	1,280	305	–	63	29	–	**1,677**
Joel Price	455	115	36	63	2	–	**671**
Lisa Mitchell ^	196	102	16	31	–	–	**345**
Alan Campbell	455	115	36	63	2	–	**671**
Ewen Ainsworth *~>	321	–	14	31	–	–	**366**
Mark Phillips	–	–	–	63	–	–	**63**
Linda Beal	–	–	–	63	–	–	**63**
Bill Higgs <	–	–	–	63	–	–	**63**
	2,707	637	102	593	33	–	**4,072**

* *Resigned 30 June 2019.*
^ *Appointed 30 June 2019.*
# *The Group has a consultancy agreement with Mutiu Sunmonu and Greenbay Energy Resources Limited and Mutiu Sunmonu and Caledonian Properties Nigeria Limited. Please see Note 31 for further details.*
~ *The Group had a consultancy agreement with Ewen Ainsworth and Discovery Energy Limited. Please see Note 31 for further details.*
> *Termination payment of US$127,836 is included within Salary & Emoluments.*
< *Resigned 18 May 2020.*

Director emoluments and pension contributions, excluding share option arrangements, during the year ended 31 December 2018 were as follows:

	Salary & emoluments US$'000	=Bonus US$'000	Pension US$'000	Fees & services US$'000	Benefits US$'000	Shares to be issued US$'000	2018 Total US$'000
Mutiu Sunmonu >	–	–	–	157	–	–	157
Oisín Fanning #	486	504	–	57	33	756	1,836
Raymond King +^§	–	–	–	418	–	–	418
Joel Price	453	179	34	61	–	–	727
Alan Campbell	453	179	34	61	–	–	727
Ewen Ainsworth °†	388	–	28	61	–	–	477
Mark Phillips	–	–	–	66	–	–	66
Linda Beal ~*	–	–	–	101	–	–	101
Bill Higgs <	–	–	–	34	–	–	34
	1,780	862	96	1,016	33	756	4,543

Oisín Fanning was due 5,590,270 ordinary shares in lieu of 80% of his salary for the period of January 2016 through to 30 September 2018 inclusive. These shares were issued in February 2019.
+ *Resigned 28 September 2018.*
~ *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 31 for further details.*
^ *The Group has a consultancy agreement with Raymond King and Surplan Limited. Please see Note 31 for further details.*
° *The Group had a consultancy agreement with Ewen Ainsworth and Discovery Energy Limited. Please see Note 31 for further details.*
* *Linda Beal Consultancy LLP provided consultancy services to the Group. Please see Note 31 for further details.*
† *See Note 31.*
§ *Raymond King was paid a termination payment of US$212,970 which is included in fees and services.*
= *Bonuses not paid to Directors at 31 December 2018. 50% of amounts due to Joel Price and Alan Campbell were paid in March 2019 and the remaining 50% was due to be paid by 30 June 2019. 50% of amounts due to Oisín Fanning were paid in March 2019 and the remaining 50% was offset against the Director's loan. Please see Note 31 for further details.*

In addition to the emoluments above, in accordance with IFRS 2 share based payments, a cost of US$491,635 (2018: US$200,015) has been recognised in respect of share options granted to Directors. Lisa Mitchell was granted 1,000,000 share options to the value of US$270,617 and Bill Higgs was granted 1,000,000 share options to the value of US$221,018. A total of US$115,712 (2018: US$Nil) was recognised in respect of Directors options modified in the year. See Note 27 for further details of share options.

Directors' interests

The Directors and Company Secretary who held office at 31 December 2019, 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	19/06/20	31/12/19	01/01/19
Oisín Fanning ^	107,495,864	9,495,864	3,635,594
Ewen Ainsworth *	66,666	66,666	66,666

^ *Oisín Fanning is now considered a significant shareholder, holding of 23.89% of issued share capital of the Company.*
* *Resigned 30 June 2019.*

Share options

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

	Options at 01/01/19	Granted in year	Lapsed in year	Options at 31/12/19	Exercise price	Expiry date
Mutiu Sunmonu	1,000,000	–	–	1,000,000	£0.45	20/09/23
Oisín Fanning #	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
Joel Price #	2,000,000	–	–	2,000,000	£0.45	30/09/22
	1,500,000	–	–	1,500,000	£0.45	20/09/23
Alan Campbell #	2,000,000	–	–	2,000,000	£0.45	30/09/22
	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
Linda Beal	1,000,000	–	–	1,000,000	£0.45	08/07/25
Bill Higgs ^<	–	1,000,000	–	1,000,000	£0.45	19/02/26
Lisa Mitchell ~	–	1,000,000	–	1,000,000	£0.45	–

* *Resigned 30 June 2019.*

^ *On his appointment on 22 May 2018, the Board approved the grant of 1,000,000 of share options at a strike price £0.45, however as the Company was in a closed period at the date of award these options were not formally awarded until February 2019.*

\# *All existing Company share options which had an exercise price above 45 pence per ordinary share, were repriced with an exercise price of 45 pence on 20 February 2019. All other terms remain unchanged. The repricing resulted in an increase in the fair value of the options, expiring on 30 September 2022, of US$115,712.*

~ *On her appointment on 30 June 2019, the Board approved the grant of 1,000,000 of share options at a strike price of £0.45, however as the Company was in a closed period at the date of award these options have not yet been formally awarded. The fair value of these options has been calculated at US$270,617.*

< *Resigned 18 May 2020.*

Transactions involving Directors

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

Signed on behalf of the Remuneration Committee by:

Mark Phillips
Remuneration Committee Chair

24 June 2020

Nomination Committee report

The Committee continues to regularly **review structure, size and composition** required of the Board

The Committee conducted its business through two meetings held in 2019. Membership during the year comprised of the Chairman Mutiu Sunmonu, the Chief Executive Officer Oisín Fanning and myself Mark Phillips as Independent Non-Executive Director and Chair of the Committee.

Role and Responsibilities

- Review the structure, size and composition of the Board and recommend any changes to the Board;
- carry out succession planning for the Board and other senior executives;
- be responsible for filling board vacancies when they arise and, before any appointment is made, evaluating the balance of skills, knowledge, and experience on the Board; and
- make recommendations to the Board on all new appointments to the Board.

The Committee continues regularly to review structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and will make recommendations as required to the Board on the Board's composition and balance.

Before any appointment is made by the Board, the Committee will evaluate the balance of the skills, knowledge and experience on the Board, and in light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall consider using services of external advisors to facilitate the search for candidates from a wide range of backgrounds; and on merit and against objective criteria, take care that appointees have enough time available to devote to the position.

The Committee also will review the Directors' existing conflicts of interests every six months, or more frequently as required.

Board succession planning is ongoing and we continue to focus on planning for the Executives' roles during 2020.

After a detailed process, the Board was delighted to report that Lisa Mitchell was joining the Company and Board as Chief Financial Officer on 30 June 2019. Lisa has extensive operational and transactional experience across the oil and gas sector, and has worked in several different geographies including Nigeria.

Previous Finance Director Ewen Ainsworth resigned as at the same date with the Board's best wishes.

The Committee is of the view that the Board including the current senior team is fit for purpose, with the requisite skills and experience to support the business.

There are no changes to Board committees to report, this will be reviewed during 2020 in the normal way.

In accordance with the Articles of Association, myself (Mark Phillips), Oisín Fanning and Mutiu Sunmonu retire from the Board by rotation and, being eligible, offer themselves for re-election.

Mark Phillips
Nomination Committee Chair

24 June 2020

Risk and Safety Committee report

The management of business and operational risk is a **key success factor for the Company**

During 2019 the Risk and Safety Committee reviewed the terms of reference, a copy of which is available on the Company's website.

Roles and Responsibilities

The management of business and operational risk is a key success factor for the Company, as such the Committee will:

- report significant changes to the risk profile of the business as necessary;
- monitor the Company's risk assessment procedure and action plans for all operational risks; and
- ensure that the controls to prevent and mitigate the most significant risks for the business are in place and functioning.

Health, Safety and Environment

The protection of people, the environment and our assets are central to San Leon Energy's values and principles and as such the Committee will:

- ensure health and safety audits of each operation and country office are carried out at such times that the Committee deems appropriate considering the scale and nature of the operations; and
- ensure the Company's Health, Safety and Environmental Policy ("HSE Policy") meets or exceeds international oil and gas practice appropriate to the Company's operations and meets the required legal and regulatory standards for the jurisdictions in which we work.

Ethics and Corporate Social Responsibility

The Company will conduct business with the highest ethical values and will be socially responsible in the communities in which we work.

The Committee will govern the Company's ethics policy and code of ethics to ensure ethical business practice.

Security

The security of our people and our assets is of paramount importance to the Company, as such the Committee will:

- ensure appropriate security controls and systems are in place and operational; and
- ensure that the Company's journey management procedure is adequate and functioning.

An updated health, safety, environment and quality management system was noted as being required for office based activity, inclusive of a journey management policy. In the interim, standard journey management protocols are being followed for travel to Nigeria.

Anti-Bribery and Corruption, and Whistleblowing policies, have been circulated to all employee and acknowledged. The Ethics and Corporate Social Responsibility policies are to be reviewed.

Mutiu Sunmonu
Risk and Safety Committee Chair

24 June 2020

Directors' report

for the year ended 31 December 2019

Since the end of the financial period **payments totalling US$41.5 million** have been made on behalf of MLPL and received by the Company

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 2019.

Principal activity and future developments

The principal activities of the Company are the holding of an initial indirect 10.58% economic interest in OML 18 Nigeria, through its investment in 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 Chief Executive Officer's Statement.

Results and dividends

The Group loss for the year after providing for depreciation and taxation amounted to a loss of US$38.6 million (2018 Restated: loss of US$5.8 million). Net assets of the Group at 31 December 2019 amounted to US$202.9 million (2018 Restated: US$261.2 million). Exploration & evaluation impairments / write off totalled US$1.4 million in 2019 (2018 Restated: US$3.1 million). The Barryroe 4.5% Net Profit Interest was impaired down to a carrying value of US$2.8 million (2018 Restated: US$51.1 million). A special dividend was paid in May 2020 of US$33.0 million (2018 Restated: US$Nil).

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 and 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. Each Board member commits sufficient time to fulfil their duties and obligations to the Board and the Company.

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. For details of the Audit Committee's performance refer to the Audit Committee Report on page 24. 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.

Since the end of the financial period cash payments totalling US$41.5 million have been made on behalf of MLPL and received by the Company. On 6 April 2020, the Company entered into an Agreement with MLPL, amending the existing Loan Notes Instrument. Under the Amendment, the remaining outstanding balance is US$82.1 million* at par value (US$79.5 million under IFRS). Of this, US$10.0 million (which includes interest), will be repaid on or before 6 October 2020, with the balance of the Loan Notes receivable payable in three quarterly instalments, commencing in July 2021 and completing by December 2021. The outstanding par value will continue to accrue interest until repaid. All other material terms of the Loan Notes Instrument remain unchanged.

The Directors have considered the impact of Covid-19 upon the Company's indirect interest in OML 18, and upon the Loan Notes. The impact of the current low oil price will likely result in the deferral of some operational and capital expenditure, as is prudent to preserve working capital by Eroton. That is expected to delay some production increases from drilling. Eroton's income will also be affected by the lower oil price itself, although that is buffered to some extent by the deferral of costs and hedging currently in place. The overall effect is likely to be some modest delay in receiving distributions from Eroton via MLPL. Eroton has taken customary steps in its corporate offices to reduce people's presence as far as possible while maintaining functional administration with people working from home.

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.

* *Refer to Alternate Performance Measures on page 121 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

Risk management

Managing risks in an international oil and gas company is essential to stability and long-term sustainability. The Company's Board has overall responsibility for risk identification and control and has developed a risk management structure to identify risks, evaluate the impact of certain risks, assess the likelihood of risks occurring and implementing risk mitigation measures where possible to reduce each risk to an acceptable level in accordance with the Group's appetite for risk.

Risks are formally identified and recorded in a risk register which is reviewed twice a year by the Board and on a quarterly basis by the Audit Committee. 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.

As part of our overall goal to reduce risk across the organisation, a Risk Management Policy and Procedure was developed and presented to the Audit Committee in February 2020. This provides a procedure for the management of the Company's risk. As part of the risk management procedure, the Company has developed a detailed risk register which identifies business continuity risks, corporate governance risks, security risks, financial risks and health, safety and environment protection risks.

The Board recognises that risk cannot be fully eliminated but it is their responsibility to ensure that risk assessment and mitigation is as thorough and vigorous as possible. The following principal risks and uncertainties, which are not exhaustive, with their mitigation actions are particularly relevant to the Company.

Risk	Detail	Mitigation	Year on year change
STRATEGIC RISK			
Lack of MLPL Loan Notes repayments	• The Company will not be able to fund current operations or invest for future expansion.	• Strong financial discipline. • Maintain sufficient working capital for 12 months look ahead. • Monitor the situation and maintain dialogue and good relations with OML 18 partners and investors, relevant Nigerian national and regional authorities.	No change
Partnership risk	• Risk of relationship with partners deteriorating or partner having insufficient financial or technical resources.	• Partners in joint ventures are reputable with significant experience and financial resources. Continuous dialogue maintained with partners. • The Company has Board representation throughout the ownership structure allowing a transparent working relationship.	No change

Directors' report

Continued

Risk	Detail	Mitigation	Year on year change
OPERATIONAL RISK			
Political instability / OML 18 operational disruption	• OML 18 operations are exposed to the risk of delays and interruptions to production due to various causes including political instability, sabotage, pipeline losses, operational downtime, slow progress caused by unexpected downhole challenges, operational funding, and procedural delays with JV partners and authorities. • Severe operational delays or disruption could lead to an inability to produce oil and repay the Eroton RBL debt facility, which could lead to the loss of OML 18, or an inability to pay dividends.	• Eroton is a local experienced operator completely focused on OML 18 regulatory requirements and maintaining dialogue with local communities. • San Leon Energy has appointed a senior operations manager with downhole operational experience to work with the Eroton team.	No change
Geological and development risk	• The Company depends on maintaining successful development projects to achieve revenue and success. However, the level of production and cash flow from OML 18 is an estimated value and may not materialise as originally expected. This risk is specific to the geological and engineering factors involved in estimation and projection of the expected capacity of new or existing projects.	• The Group utilises its experience, external contractors and that of its partners, in particular Eroton, to determine the resource and development assumptions to ensure the Board maintains a realistic view of resources and development expectations. • Periodic review of reserves by an independent consultant. • Ensure industry best practice regarding technical estimates and judgements.	No change
Health, Safety & Environmental risk	• The industry faces high risk operating conditions and HSE risks, posing the threat of industrial accidents; natural disasters. • Impact from a pandemic or epidemic affects the ability of the Company or the JVs from being able to successfully operate the assets (such as Covid-19 virus).	• The Company has a Risk & Safety Committee to ensure risks are managed appropriately in accordance with international best practice and legislation. • Promote and facilitate best practice international standards. • Embedding a strong HSE culture, with support at a high level in the Company. • Adequate insurances to be in place at the operational level. • The Company is dependent on its operating partners to impose and maintain required standards to operations. • Early adoption of guidance based on World Health Organisation ("WHO") guidance.	No change

Risk	Detail	Mitigation	Year on year change
OPERATIONAL RISK CONTINUED			
Cyber risk	• Major cyber breach may result in loss of confidential data and business disruption.	• Prevention software in place and regularly monitored. • Back-up system and business recovery plan in place. • Internal audit reviewed during 2019.	No change
Human resource risk	• Failure to recruit and retain key senior personnel in key senior management positions is essential to ensure success.	• Compensation packages are approved by the full Board, with remuneration for key executives being highly competitive. • Staff packages are validated for competitiveness. • Flexible working arrangements allowed. • Creation of a long-term incentive scheme to increase incentive opportunity.	No change
FINANCIAL RISK			
Commodity price risk	• Volatility and decreases in oil or natural gas prices can lead to insufficient funds to finance growth plans. This may lead to the inability to repay RBL facility debt, or inability to pay dividends. The field could become uneconomic and there would be an inability to fund capital development.	• The demand for, and price of oil and gas is dependent on 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 US$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 debt facility repayments at Eroton level.	Increased
Financial & currency risk	• Risks associated with exchange rate fluctuations include Economic Risk, Translation Risk and Transaction Risk. The result is that the Company loses out in cash terms and / or Income Statement impact.	• The Group's multinational operations expose it to different financial risks that include foreign exchange risk, fiscal and tax risk, credit risk, liquidity risk, interest rate risk, and equity price risk. Details of the principal financial risks are set out in Note 32. • The Group changed its presentational currency and the Company changed its functional currency to USD in accordance with IAS 21 which will avoid currency exchange rate losses / gains which could result in large tax liabilities and manages its exposure by matching receipts and payments in the same currency and monitoring the residual net cash position and future income profile. • 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.	Decreased

Risk	Detail	Mitigation	Year on year change
FINANCIAL RISK CONTINUED			
Availability of capital / insufficient funds	• The oil and gas industry is capital intensive with significant amounts of capital required for development of assets. The Group's business partners may require significant capital expenditure and the future expansion and development of its business could require future debt and equity financing. The future availability of such funding may not always be certain, which may lead to funding shortages.	• Active dialogue maintained with financial institutions and investors. • There is a significant population of investors who are willing to invest in companies like San Leon. • Management have a strong track record of successful fundraisings. • Discretionary spend actively managed. • Continued engagement with partners and lenders.	Decreased
COMMODITY PRICE RISK			
Bribery & Corruption	• Reputational damage and exposure to possible criminal charges.	• The area in which the Company holds its material asset scores high relatively to many countries with regard to bribery and corruption issues. The Company has a zero tolerance policy on such matters. The Company has an Anti-Bribery & Corruption Policy in place that is monitored and updated in accordance with UK standards. The Company also has a Whistleblowing Policy in place to encourage confidential reporting of any issues that may be illegal or suspicious.	No change

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 (appointed Company Secretary 17 January 2019)*
- Lisa Mitchell, *Chief Financial Officer (appointed 30 June 2019)*
- Ewen Ainsworth, *Finance Director (resigned 30 June 2019)*
- Mark Phillips, *Non-Executive Director*
- Linda Beal, *Non-Executive Director*
- Bill Higgs, *Non-Executive Director (resigned 18 May 2020)*
- Adekolapo Ademola, *Non-Executive Director (appointed 7 April 2020)*

In accordance with the Articles of Association, Mark Phillips, Oisín Fanning and Mutiu Sunmonu retire from the Board by rotation and, being eligible, offer themselves for re-election.

Significant shareholders

The Company has been informed that, in addition to the interests of the Directors at 31 December 2019 (see Remuneration Report), the following shareholders owned 3% or more of the issued share capital of the Company:

	Percentage of issued share capital		
	19/06/20	31/12/19	31/12/18
Funds managed by Toscafund Asset Management LLP	50.85%	72.41%	62.33%
Midwestern Oil & Gas Company Limited	13.18%	13.14%	9.44%
The Capital Group Companies Inc.	–	–	6.47%
Total Investment Solutions SA	–	–	7.94%
Amara Equity Invest SA	–	–	6.35%
OWG PLC	–	–	3.91%

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

Acquisition of own shares

In 2019 the Company repurchased US$30.5 million of its own shares. An additional US$2.0 million of its own shares were purchased between October 2019 and January 2020.

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

Part 26 of the Companies (Accounting) Act 2014 came into force on 1 January 2017. This required companies operating in the extractive sector to publicly disclose payments made to National Governments. The Act 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 and Poland. Payments are disclosed by licence where the aggregate of the payment in the year exceeds US$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 law 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.

Licence	Licence fees US$'000
2019	
Corporate#	40
Total Poland	40
2018	
Corporate#	41
Total Poland	41

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

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 33 to the financial statements.

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.

Auditor

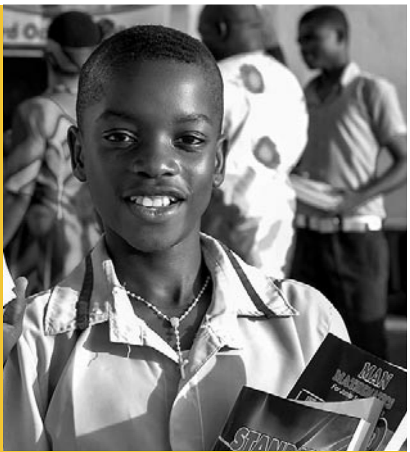
The Auditor, KPMG, Chartered Accountants, were first appointed statutory auditor on 9 September 2010 and have been re-appointed annually since that date and pursuant to Section 282(2) of Companies Act 2014 will continue in office.

Oisín Fanning
Chief Executive

Lisa Mitchell
Chief Financial Officer

24 June 2020

Supporting Health, Education and Communities: Results from our Corporate Social Responsibility policy in action are being seen



"San Leon Energy continues to be committed to and takes its Corporate Social Responsibility in countries in which we have an interest very seriously.

The Company contributes directly to projects in Nigeria when possible and where we trust our contributions can have a direct impact on the environment and communities we seek to assist."

Building on our previous efforts, San Leon has continued to contribute food, clothing and educational support to many people while also focusing on infrastructural projects that we hope will leave a lasting impact on communities.

One such project, that we have recently undertaken, is the building of a new medical centre in Kanshio village in a suburb of Makurdi in Benue State. Families here, including many vulnerable women and children, often suffer without local medical support and San Leon is trying to assist this community. A building that was falling into ruin is being reconstructed and modernised, secure perimeter fencing is being installed and a laboratory to test for common diseases and infections such as malaria and typhoid is planned.

The building is also being equipped with six beds and medical equipment and supplies to serve the health needs of the Kanshio community and other neighbouring villages for a period and it is expected to be run by the community thereafter.

Throughout 2019, the Company also continued its programme to support small women-led enterprises. Most recently, sixteen women from Nassarawa and Benue States were trained in tailoring and were donated sewing machines, as making traditional African clothing is a sustainable business locally.

Following the successful completion of providing motorised water boreholes for a number of communities in Nigeria, we continue to see if we can assist other communities in a similar way.

Top right: Reconstruction of a medical centre and laboratory in Kanisho Village.

Above: Support for women-led enterprise providing tailoring tuition and donating sewing machines.

Corporate Social Responsibility

Continued

Above and opposite: Providing books and uniforms to students in Benue State.

While the above projects bring relief and assistance in the present, we firmly believe in the right of access to, and the importance of, supporting education as a way to underpin hope and change in the future.

In 2019, we provided books and uniforms to students in Benue State, where students often work as house helps in the morning and attend schools from 1 pm to 6 pm in the heat of the day. We also covered fees, books, school uniforms and clothing for some orphans and vulnerable children who were enrolled in St. Patrick Nursery/Primary School, Kojoli, Adamawa State.

We are told that many of these children would not be gaining an education if we had not helped. We have also paid school fees, provided books and uniforms for boys and girls from deeply disadvantaged homes in Makurdi and Idah areas who began secondary schools in September this year. We have also supported third level students, some orphaned, to attend different colleges and universities.

Finally, we were due to begin the construction of a new classroom block at a school in Achusa, Benue State in 2019. However, due to the road leading to the village being damaged by a flood it was not possible to transport building materials to the village. This project has been delayed but we do hope to see it completed in 2020.

San Leon is honoured and committed to help where it can. Results from our Corporate Social Responsibility policy in action are being seen. The true credit, we believe, should lie with the leaders in these communities who are trying to improve living standards and future prospects for the whole of society. It is leadership that we endeavour to support as much as possible.

Women-led enterprise

Continued support for women-led enterprises. 16 women from Nassarawa and Benue States were trained in tailoring using donated sewing machines, making traditional African clothing is a sustainable business locally.

Education

In 2019, we provided books and uniforms to students in Benue State; where students attend schools in the afternoon between 1pm to 6pm in the heat of the day.

"Building on our previous efforts, San Leon has continued to contribute food, clothing and educational support to many people that we hope will leave a lasting impact on communities."

Country and industry overview

Nigeria is West Africa's biggest producer of petroleum, with its oil producing region seeing over 2 million barrels a day extracted

Covering an area of approximately 75,000 km^2 and with up to 10 km sedimentary thickness, this impressive petroleum system contains total proved reserves of over 37 bn barrels of oil and 189 tcf of gas, ranking Nigeria 11th in the world.

Nigeria – Oil and Gas Industry Overview

Nigeria is West Africa's biggest producer of petroleum, with its oil producing region, the Niger Delta, seeing over two million barrels a day extracted from both on-shore and deep water facilities. Covering an area of approximately 75,000 km^2 and with up to 10 km sedimentary thickness, this impressive petroleum system contains total proved reserves of over 37 bn barrels of oil and 189 tcf of gas, ranking Nigeria 11th in the world closely behind the US with 39 bn barrels of proven oil reserves.

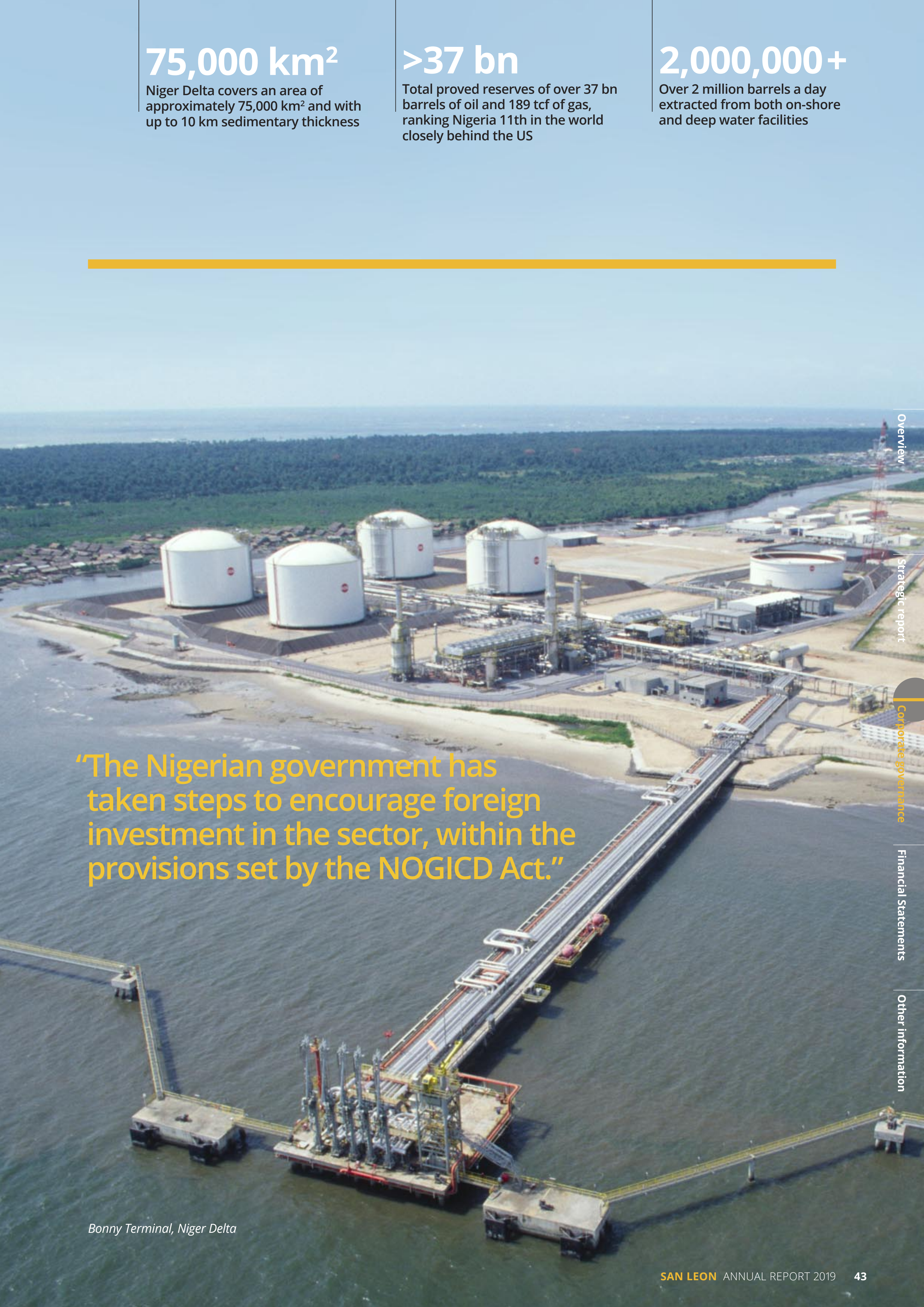
Historically, major international oil companies ("IOCs") have dominated the development of Nigeria's oil and gas sector. To address this bias, the last decade has seen the Nigerian Federal Government and relevant departments introduce a number of initiatives and structural changes to help facilitate the increased participation of indigenous companies in the sector. The Nigerian Oil and Gas Industry Content Development ("NOGICD") Act, which came into effect in April 2010, created an overarching framework for a combination of restrictive policies and incentives to drive more indigenous participation across human capital, material resources and technical services in the industry. In reality, these initiatives have had a measurable amount of success. Compared with a decade ago, when indigenous operators contributed approximately 6% to the nation's daily production, indigenous operator activity has now doubled and accounts for around 12% of Nigeria's oil production.

There is still room for partnerships from international investors, as many of these smaller companies will have significant financing needs to move projects forward. Recognising this, the Nigerian government has taken steps to encourage foreign investment in the sector, within the provisions set by the NOGICD Act.

In the last half of 2019, the Minister of State for Petroleum, Timpre Sylva, iterated the Nigerian government's resolve to reduce the government's stake in joint venture oil business (to 40% from 55-60%) in order to spur more foreign investment. This would also benefit the government by lowering its share of the cash cost in upstream operations. Nearly 60% of total crude oil and gas sales revenue in 2018 for the Nigerian Government was directed toward Joint Venture ("JV") cash calls and the government is in arrears on some payments (African Chamber Outlook, 2020).

The NNPC is also considering a new Incorporated Joint Venture ("IJV)" model in 2020, which could further encourage greater participation from IOCs. The IJV model would involve the creation of a new company through which the venture will be operated. In this regard, the parties involved in the Joint Venture will be shareholders of the company, through which capital can be raised through debt or equity, with dividends paid to shareholders. In theory, the IJV removes the need for cash call and annual funding strategy which will create transparency across all JV partners, while reducing the level of government bureaucracy.

More recently, Minister Timpre Sylva has also disclosed that a new Petroleum Industry Bill ("PIB") would be sent to the National Assembly by March 2020 in order to have it passed into law by mid-2020. Following the February election, President Buhari's allies have assumed leadership of both the Senate and House of Representatives, and this political alignment may help facilitate passing of the PIB. For a piece of legislation that has been on the table since 2008, this would be a welcome development to both existing and prospective investors in the Nigerian oil and gas space.



75,000 km²

Niger Delta covers an area of approximately 75,000 km² and with up to 10 km sedimentary thickness

>37 bn

Total proved reserves of over 37 bn barrels of oil and 189 tcf of gas, ranking Nigeria 11th in the world closely behind the US

2,000,000+

Over 2 million barrels a day extracted from both on-shore and deep water facilities

“The Nigerian government has taken steps to encourage foreign investment in the sector, within the provisions set by the NOGICD Act.”

Bonny Terminal, Niger Delta

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 and Company'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 provisions 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 responsibility 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
Director

Lisa Mitchell
Director

Financial statements

Independent Auditor's report

to the members of San Leon Energy plc

Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements of San Leon Energy plc (the "Company") for the year ended 31 December 2019, 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 related notes, including the summary of significant accounting policies set out 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 and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group 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 under those standards are further described in the *Auditor's Responsibilities for the audit of the financial statements* section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements 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 sufficient and appropriate to provide a 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 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. Notwithstanding the cash flows received to date, and the revised payment schedule, there remains significant uncertainty in relation to the quantum and timing of future cash flows, and this uncertainty in turn impacts the value of the Group's investment in MLPL and the recoverability of the Group and Company's loans due from MLPL. Our opinion is not modified in respect of this matter.

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">Valuation of Midwestern Leon Petroleum Limited ("MLPL") Loan Notes and equity interest
(refer to pages 69 to 74 (accounting policy) and pages 82 to 83 and 88 to 91 (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 $112.3 million (2018: $128.7 million) and the equity interest $51.9 million (2018: $55.1 million) at 31 December 2019.

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:
• Inspection 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;
• Inspection of the historical accuracy of the Group's cash flow forecast by comparing the prior period forecasted cash receipts from the MLPL Loan Note to actual receipts in 2019 and to the date of signing the financial statements;
• Inspection of documentation supporting the amounts received and due from MLPL under the loan;
• Comparison of the Group's forecasted income from the MLPL Loan Note to MLPL's own cash flow 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;
• Inspection of reporting and opinion of MLPL issued to us and discussions with the MLPL component auditor on the MLPL audited consolidated financial statements for the year ended 31 December 2019; and
• Assessment of the required accounting disclosures of the Loan Notes and related subsequent events in accordance with IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.

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 remains subject to a number of restrictions.

This is outside the control of San Leon Energy plc and reflects a significant 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>

Key audit matter	How the matter was addressed in our audit
Valuation of 4.5% Net Profit Interest ("NPI") on the Barryroe oil field *(refer to pages 69 to 74 (accounting policy) and pages 88 to 92 (financial disclosures))*	
The risk relates to the assessment of the carrying value of the Barryroe NPI financial asset of \$2.8 million (2018: \$51.1 million) at 31 December 2019. 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: • Inspection of management and the Board's accounting papers setting out their assessment of the carrying value of the financial asset; • Inspection 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 key management assumptions and inputs which underpin their valuation model; and • Assessment of the required accounting disclosures are in accordance with *IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.* In determining the appropriate valuation technique to be used for the Barryroe NPI, we challenged management in respect of the use of some unobservable inputs against a technique which maximises the use of observable inputs, using existing market data. Management considered this alternative approach and reflected our challenge in their estimate. The fair value of the Barryroe NPI asset is estimated by management to be \$2.8 million at 31 December 2019 (2018: \$51.1 million) based on a fair value model produced by management. This resulted in an impairment of \$48.4 million recognised in the statement of profit and loss for the period ending 31 December 2019. We consider the valuation technique and key assumptions in management's model to be supportive of the valuation. All assumptions are appropriately disclosed.

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 $1,200,000 (2018: $1,450,000). This has been calculated using a benchmark of Group and Company total assets (of which it represents 0.6% (2018: 0.5%)), 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 Company in assessing financial performance.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of $60,000 (2018: $70,000), 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 the component auditor), the Group audit team considered aggregation risk in setting component 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 a number of video and telephone conference calls with the component auditors of the MLPL component to assess the audit risk and strategy and work undertaken. We reviewed the component auditor's procedures and conclusions over the significant risks identified by us. In our discussions, 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 auditors.

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 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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, Highlights, San Leon at a glance, Director's strategy, Overview / Corporate structure, Chairman's statement, Four expected cash flow sources, Chief Executive's statement, Corporate governance, Board of Directors, Corporate governance statement, Audit Committee report, Remuneration Committee report, Nomination Committee report, Risk and Safety Committee report, Corporate Social Responsibility, Country and industry overview and Statement of Director's responsibilities. The financial statements and our auditor's report thereon do not comprise part of the other information. 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 report that:

- 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; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed 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 financial statements are in agreement with the accounting records.

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.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 44, 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 for the audit of the financial statements

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

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 this report, or for the opinions we have formed.

Niall Savage
for and on behalf of

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

24 June 2020

Consolidated income statement

for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000 (Restated)
Continuing operations			
Revenue from contracts with customers	2	**266**	198
Cost of sales		**(148)**	(95)
Gross profit		**118**	103
Share of loss of equity accounted investments	13	**(3,204)**	(14,693)
Administrative expenses		**(14,899)**	(16,349)
(Loss) / profit on disposal of subsidiaries	4	**(13,770)**	(13,133)
Impairment / write off of exploration and evaluation assets	12	**(1,407)**	(3,074)
Decommissioning of wells	24	**–**	485
Other income	3	**1,400**	–
Expected credit losses	8	**–**	(3,532)
Loss from operating activities		**(31,762)**	(50,193)
Finance expense	6	**(144)**	(2,417)
Finance income	7	**24,123**	44,082
Expected credit losses	8	**3,465**	4,212
Fair value movements in financial assets	17	**(48,373)**	2,281
Loss before income tax		**(52,691)**	(2,035)
Income tax	10	**14,079**	(3,777)
Loss for the financial year		**(38,612)**	(5,812)
Loss per share (cent) – total			
Basic loss per share	11	**(8.28)**	(1.15)
Diluted loss per share	11	**(8.28)**	(1.15)

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Consolidated statement of other comprehensive income

for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000 (Restated)
Loss for the year		**(38,612)**	(5,812)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences – subsidiaries	*26*	**(26)**	46
Recycling of currency translation reserve on disposal of subsidiaries	*26*	**13,870**	13,567
Fair value movements in financial assets	*17*	**(2,625)**	119
Deferred tax on fair value movements in financial assets	*29*	**40**	(39)
Total other comprehensive income		**11,259**	13,693
Total comprehensive (loss) / profit for the year		**(27,353)**	7,881

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

2018	Share capital reserve US$'000 (Restated)	Share premium reserve US$'000 (Restated)	Other undenom-inated reserve US$'000 (Restated)	Special reserve US$'000 (Restated)	Currency translation reserve US$'000 (Restated)	Share based payment reserve US$'000 (Restated)	Shares to be issued reserve US$'000 (Restated)	Fair value reserve US$'000 (Restated)	Retained earnings US$'000 (Restated)	Attributable to equity holders in Group US$'000 (Restated)
Balance as at 1 January 2018 (Restated)[1]	150,600	478,666	–	–	(2,836)	19,778	1,343	–	(395,557)	251,994
Total comprehensive income for year										
Loss for the year	–	–	–	–	–	–	–	–	(5,812)	(5,812)
Other comprehensive income										
Recycling of currency translation reserve on disposal of subsidiaries	–	–	–	–	13,567	–	–	–	–	13,567
Foreign currency translation differences – subsidiaries	–	–	–	–	46	–	–	–	–	46
Foreign currency translation differences – joint venture	–	–	–	–	–	–	–	–	–	–
Fair value movements in financial assets	–	–	–	–	–	–	–	119	–	119
Deferred tax on fair value movements in financial assets	–	–	–	–	–	–	–	(39)	–	(39)
Total comprehensive income for year	–	–	–	–	13,613	–	–	80	(5,812)	7,881
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Share-based payment	–	–	–	–	–	519	756	–	–	1,275
Effect of share options cancelled	–	–	–	–	–	(5,320)	–	–	5,320	–
Total transactions with owners	–	–	–	–	–	(4,801)	756	–	5,320	1,275
Balance at 31 December 2018	150,600	478,666	–	–	10,777	14,977	2,099	80	(396,049)	261,150

1 *As described in Note 1, the presentation currency for the Group has been changed to USD from 1 January 2019, with retrospective effect on comparative figures. Equity items at 1 January 2018 have been translated to USD using the USD / EUR rate applicable at the transaction date.*

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019 – continued

2019	Share capital reserve US$'000	Share premium reserve US$'000	Other undenom-inated reserve US$'000	Special reserve US$'000	Currency translation reserve US$'000	Share based payment reserve US$'000	Shares to be issued reserve US$'000	Fair value reserve US$'000	Retained earnings US$'000	Attributable to equity holders in Group US$'000
Balance as at 1 January 2019[1]	150,600	478,666	–	–	10,777	14,977	2,099	80	(396,049)	261,150
Total comprehensive income for year										
Loss for the year	–	–	–	–	–	–	–	–	(38,612)	(38,612)
Other comprehensive income										
Foreign currency translation differences – subsidiaries	–	–	–	–	(26)	–	–	–	–	(26)
Recycling of currency translation reserve on disposal of subsidiaries	–	–	–	–	13,870	–	–	–	–	13,870
Fair value movements in financial assets	–	–	–	–	–	–	–	(2,625)	–	(2,625)
Deferred tax on fair value movements in financial assets	–	–	–	–	–	–	–	40	–	40
Total comprehensive income for year	–	–	–	–	13,844	–	–	(2,585)	(38,612)	(27,353)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Tender offer (Note 25)	(144,871)	(459,721)	–	5,024	–	–	–	–	599,568	–
Reduction of capital (Note 25)	(576)	–	576	–	–	–	–	–	(30,512)	(30,512)
Share buybacks (Note 25)	(47)	–	47	–	–	–	–	–	(1,535)	(1,535)
Share-based payment	–	–	–	–	–	848	–	–	–	848
Issue of shares in lieu of salary	63	2,036	–	–	–	–	(2,099)	–	–	–
Effect of share options exercised	3	96	–	–	–	(72)	–	–	72	99
Effect of repricing of share options	–	–	–	–	–	219	–	–	–	219
Effect of options expired	–	–	–	–	–	(1,680)	–	–	1,680	–
Total transactions with owners	(145,428)	(457,589)	623	5,024	–	(685)	(2,099)	–	569,273	(30,881)
Balance at 31 December 2019	**5,172**	**21,077**	**623**	**5,024**	**24,621**	**14,292**	**–**	**(2,505)**	**134,612**	**202,916**

1 As described in Note 1, the presentation currency for the Group has been changed to USD from 1 January 2019, with retrospective effect on comparative figures. All comparatives, including equity, have been translated using the rate applicable on the date of the change being 1 January 2019.

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2019

2018	Share capital US$'000 (Restated)	Share premium US$'000 (Restated)	Other undenom-inated reserve US$'000 (Restated)	Special reserve US$'000 (Restated)	Currency translation reserve US$'000 (Restated)	Share-based payment reserve US$'000 (Restated)	Shares to be issued reserve US$'000 (Restated)	Fair value reserve US$'000 (Restated)	Retained earnings US$'000 (Restated)	Total equity US$'000 (Restated)
Balance as at 1 January 2018 (restated)[1]	150,600	478,666	–	–	–	19,778	1,343	–	(445,540)	204,847
Total comprehensive income										
Profit for the year	–	–	–	–	–	–	–	–	24,098	24,098
Fair value movements in financial assets	–	–	–	–	–	–	–	119	–	119
Deferred tax on fair value movements in financial assets	–	–	–	–	–	–	–	(39)	–	(39)
Total comprehensive income for the year	–	–	–	–	–	–	–	80	24,098	24,178
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
share-based payment	–	–	–	–	–	519	756	–	–	1,275
Effect of share options cancelled	–	–	–	–	–	(5,320)	–	–	5,320	–
Total transactions with owners	–	–	–	–	–	(4,801)	756	–	5,320	1,275
Balance at 31 December 2018	150,600	478,666	–	–	–	14,977	2,099	80	(416,122)	230,300

1 As described in Note 1, the presentation currency for the Company has been changed to USD from 1 January 2019, with retrospective effect on comparative figures.

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2019 – continued

2019	Share capital US$'000	Share premium US$'000	Other undenom-inated reserve US$'000	Special reserve US$'000	Currency translation reserve US$'000	Share-based payment reserve US$'000	Shares to be issued reserve US$'000	Fair value reserve US$'000	Retained earnings US$'000	Total equity US$'000
Balance as at 1 January 2019[1]	150,600	478,666	–	–	–	14,977	2,099	80	(416,122)	230,300
Total comprehensive income										
Loss for the year	–	–	–	–	–	–	–	–	(12,284)	(12,284)
Fair value movements in financial assets	–	–	–	–	–	–	–	(2,625)	–	(2,625)
Deferred tax on fair value movements in financial assets	–	–	–	–	–	–	–	40	–	40
Total comprehensive income for the year	–	–	–	–	–	–	–	(2,585)	(12,284)	(14,869)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Tender offer and reduction of capital (Note 25)	(144,871)	(459,721)	–	5,024	–	–	–	–	599,568	–
Reduction of capital (Note 25)	(576)	–	576	–	–	–	–	–	(30,512)	(30,512)
Share buybacks (Note 25)	(47)	–	47	–	–	–	–	–	(1,535)	(1,535)
Share-based payment	–	–	–	–	–	848	–	–	–	848
Issue of shares in lieu of salary	63	2,036	–	–	–	–	(2,099)	–	–	–
Effect of share options exercised	3	96	–	–	–	(72)	–	–	72	99
Effect of repricing of share options	–	–	–	–	–	219	–	–	–	219
Effect of options expired	–	–	–	–	–	(1,680)	–	–	1,680	–
Total transactions with owners	(145,428)	(457,589)	623	5,024	–	(685)	(2,099)	–	569,273	(30,881)
Balance at 31 December 2019	**5,172**	**21,077**	**623**	**5,024**	**–**	**14,292**	**–**	**(2,505)**	**140,867**	**184,550**

1 *As described in Note 1, the presentation currency for the Company has been changed to USD from 1 January 2019, with retrospective effect on comparative figures.*

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Notes	2019 US$'000	2018 US$'000 (Restated)	2017 US$'000 (Restated)
Assets				
Non-current assets				
Intangible assets	12	**–**	–	2,864
Equity accounted investments	13	**51,866**	55,070	69,763
Property, plant and equipment	14	**4,344**	1,964	2,745
Financial assets	17	**2,963**	124,876	134,998
Deferred tax asset	29	**1,718**	–	–
Other non-current assets	15	**–**	206	206
		60,891	182,116	210,576
Current assets				
Inventory	18	**180**	272	323
Trade and other receivables	19	**987**	2,440	4,976
Financial assets	17	**112,252**	57,611	70,743
Cash and cash equivalents	20	**36,697**	40,762	9,311
		150,116	101,085	85,353
Total assets		**211,007**	283,201	295,929
Equity and liabilities				
Equity				
Called up share capital	25	**5,172**	150,600	150,600
Share premium account	25	**21,077**	478,666	478,666
Other undenominated reserve		**623**	–	–
Special reserve	26	**5,024**	–	–
Share-based payments reserve	26 / 27	**14,292**	14,977	18,496
Shares to be issued reserve		**–**	2,099	2,382
Currency translation reserve	26	**24,621**	10,777	(2,836)
Fair value reserve		**(2,505)**	80	(363)
Retained earnings		**134,612**	(396,049)	(385,710)
Total equity attributable to equity shareholders		**202,916**	261,150	261,235
Non-current liabilities				
Lease liability	30	**2,501**	–	–
Derivative	22	**128**	659	488
Deferred tax liabilities	29	**–**	12,404	8,630
		2,629	13,063	9,118
Current liabilities				
Trade and other payables	21	**5,406**	8,228	17,895
Loans and borrowings	23	**–**	–	4,747
Provisions	24	**56**	760	1,789
Liabilities classified as held for sale		**–**	–	1,145
		5,462	8,988	25,576
Total liabilities		**8,091**	22,051	34,694
Total equity and liabilities		**211,007**	283,201	295,929

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Oisín Fanning, Director   **Lisa Mitchell,** Director

24 June 2020

Company statement of financial position

as at 31 December 2019

	Notes	2019 US$'000	2018 US$'000 (Restated)	2017 US$'000 (Restated)
Assets				
Property, plant and equipment	*14*	**3,066**	46	–
Financial assets	*17*	**2,769**	124,876	134,998
Financial assets – investment in subsidiaries	*16*	**31,539**	31,539	34,608
Deferred tax asset	*29*	**1,691**	–	–
		39,065	156,461	169,606
Current assets				
Trade and other receivables	*19*	**4,068**	4,911	3,426
Financial assets	*17*	**112,252**	57,611	70,743
Cash and cash equivalents	*20*	**36,388**	40,180	8,950
		152,708	102,702	83,119
Total assets		**191,773**	259,163	252,725
Equity and liabilities				
Equity				
Called up share capital	*25*	**5,172**	150,600	150,600
Share premium account	*25*	**21,077**	478,666	478,666
Other undenominated reserve		**623**	–	–
Special reserve	*26*	**5,024**	–	–
Share-based payments reserve	*26 / 27*	**14,292**	14,977	18,496
Shares to be issued reserve		**–**	2,099	2,382
Fair value reserve		**(2,505)**	80	1,408
Retained earnings		**140,867**	(416,122)	(437,464)
Attributable to equity shareholders		**184,550**	230,300	214,088
Non-current liabilities				
Derivative	*22*	**128**	659	488
Lease liability	*30*	**2,501**	–	–
Deferred tax liabilities	*29*	**–**	12,436	8,670
		2,629	13,095	9,158
Current liabilities				
Trade and other payables	*21*	**4,594**	15,768	24,732
Loans and borrowings	*23*	**–**	–	4,747
		4,594	15,768	29,479
Total liabilities		**7,223**	28,863	38,637
Total equity and liabilities		**191,773**	259,163	252,725

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Oisín Fanning, Director **Lisa Mitchell,** Director

24 June 2020

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000 (Restated)
Cash flows from operating activities			
Loss for the year – continuing operations		**(38,612)**	(5,812)
Adjustments for:			
Depletion and depreciation	*14*	**960**	850
Finance expense	*6*	**144**	2,417
Finance income	*7*	**(24,123)**	(44,082)
Share-based payments charge		**1,069**	1,275
Foreign exchange		**(403)**	(552)
Income tax	*10*	**(14,079)**	3,777
Impairment of exploration and evaluation assets – continuing operations	*12*	**1,407**	3,074
Expected credit losses	*8*	**(3,465)**	(680)
Loss on disposal of subsidiaries	*4*	**13,770**	13,133
Decommissioning costs	*24*	**–**	(485)
Decommissioning payments	*24*	**(702)**	(496)
Fair value movements in financial assets	*17*	**48,373**	(2,281)
Decrease / (increase) in inventory		**92**	50
Decrease / (increase) in trade and other receivables		**532**	(132)
Increase / (decrease) in trade and other payables		**(3,876)**	(8,737)
Share of loss of equity-accounted investments	*13*	**3,204**	14,693
Tax paid		**(18)**	(54)
Net cash outflow from operating activities		**(15,727)**	(24,042)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	*12*	**(466)**	(210)
Purchase of property, plant and equipment	*14*	**(82)**	(75)
Lease – prepaid rental	*30*	**(231)**	–
Loans advanced	*23*	**–**	458
Loans repaid by Directors	*31*	**727**	–
Loans issued to Directors		**–**	(724)
Interest on Director's loan	*7*	**1**	2
Interest and investment income received	*7*	**278**	101
OML 18 Loan Notes principal payments received	*17*	**23,361**	31,572
OML 18 Loan Notes interest payments received	*17*	**19,885**	33,032
Net cash inflow from investing activities		**43,473**	64,156
Cash flows from financing activities			
Share buybacks		**(32,048)**	–
Proceeds from issue of shares		**99**	–
Repayment of lease liability – principal		**(192)**	–
Repayment of other loans	*23*	**–**	(5,227)
Dissenting shareholder payment	*24*	**–**	(48)
Loans repaid to Directors		**–**	(1,911)
Interest and arrangement fees paid		**(144)**	(2,248)
Net cash outflow from financing activities		**(32,285)**	(9,434)
Net increase in cash and cash equivalents		**(4,539)**	30,680
Effect of foreign exchange fluctuation on cash and cash equivalents		**474**	771
Cash and cash equivalents at start of year	*20*	**40,762**	9,311
Cash and cash equivalents at end of year	*20*	**36,697**	40,762

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Company statement of cash flows

for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000 (Restated)
Cash flows from operating activities			
Loss for the year		**(12,284)**	24,098
Adjustments for:			
Depletion and depreciation	*14*	**343**	1
Finance income	*7*	**(24,123)**	(44,082)
Finance expense		**144**	2,413
Share-based payments charge		**1,069**	520
(Reversal of impairment) / impairment of investment in subsidiaries and amounts due from Group undertakings		**(6,943)**	6,183
Fair value movements in financial assets	*17*	**48,373**	(2,281)
Expected credit losses	*8*	**(3,465)**	(4,212)
Foreign exchange		**(678)**	(724)
Income tax		**(14,084)**	3,702
Decrease in trade and other receivables		**130**	(123)
Increase / (decrease) in trade and other payables		**(2,403)**	(4,446)
Tax paid		**(18)**	(41)
Net cash outflow from operating activities		**(13,939)**	(18,992)
Cash flows from investing activities			
Advances to subsidiary companies		**(2,160)**	(5,537)
OML 18 Loan Notes principal payments received	*17*	**23,361**	31,572
OML 18 Loan Notes interest payments received	*17*	**19,885**	33,032
Loans advanced	*23*	**–**	458
Loans issued to Directors		**–**	(724)
Loans repaid by Directors	*31*	**727**	–
Interest on Director's loan	*7*	**1**	2
Interest and investment income received	*7*	**278**	101
Lease – prepaid rental	*30*	**(231)**	–
Purchase of property, plant and equipment	*14*	**(82)**	(47)
Net cash inflow from investing activities		**41,779**	58,857
Cash flows from financing activities			
Share buybacks		**(32,048)**	–
Proceeds of issue of shares		**99**	–
Repayment on lease obligations		**(192)**	–
Repayment of other loans	*23*	**–**	(5,227)
Loans repaid to Directors		**–**	(1,911)
Interest and arrangement fees paid		**(144)**	(2,243)
Net cash outflow from financing activities		**(32,285)**	(9,381)
Net increase / (decrease) in cash and cash equivalents		**(4,445)**	30,484
Effect of foreign exchange fluctuation on cash and cash equivalents		**653**	746
Cash and cash equivalents at start of year	*20*	**40,180**	8,950
Cash and cash equivalents at end of year	*20*	**36,388**	40,180

The accompanying notes on pages 62 to 120 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1. Accounting policies

San Leon Energy plc ("the Company") is a company incorporated and domiciled in the Republic of Ireland. The Company is listed on the Alternative Investments Market ("AIM") of the London Stock Exchange. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The registered office address is 2 Shelbourne Buildings, Crampton Avenue, Shelbourne Road, Ballsbridge, Dublin 4.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, with the exception of some comparative information. This is due to the adoption of the accounting policy regarding a change in presentation currency, the details of which are explained further below and the adoption of IFRS 16 in the current period using the modified retrospective approach in which comparative amounts were not restated.

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 statement of comprehensive income 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 2019 or were early adopted as indicated below.

New standards required by EU companies for the year ended 31 December 2019

The following new standards and amendments were adopted by the Group and the Company for the first time in the current financial reporting period.

New standards and interpretations effective that were adopted

Standard	IASB effective date	EU effective date
IFRS 16: Leases (13 January 2016)	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)	1 January 2019	1 January 2019
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	1 January 2019
Amendments to IAS 19: Plan amendment, Curtailment or Settlement (8 February 2018)	1 January 2019	1 January 2019
Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	1 January 2019	1 January 2019

The Group has initially applied IFRS 16 (see below) from 1 January 2019. The other standards listed above, are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

Due to the transition method chosen by the Group in applying IFRS 16, the Group has opted for the modified retrospective approach where comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

IFRS 16 Leases

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019, and the Group adopted IFRS 16 with effect from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for in the Statement of Financial Position, with some exemptions for short-term and low-value leases. It also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease cost.

The standard primarily affects the accounting for the Group's operating leases. The application of IFRS 16 results in the recognition of additional assets and liabilities in the Consolidated Statement of Financial Position and in the Consolidated Income Statement. It replaces the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities.

1. Accounting policies continued

The incremental borrowing rate is the rate of interest that the lessee would expect to incur on funds borrowed over a similar term and security to obtain a comparable value to the right-of-use asset in the relevant economic environment. The Group's weighted average incremental borrowing rate pertaining to these leases is 5%.

i. Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

ii. Transition
The Group adopted the new standard by applying the modified retrospective approach.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. All right-of-use assets were measured at the amount of the lease liability on adoption, adjusted by the amount of any prepaid or accrued interest payments.

Previously under IAS 17 operating lease rentals were charged to the Income Statement on a straight-line basis over the term of the lease.

The Group applied the recognition exemption for short-term and low-value leases and used hindsight when determining the lease term and if the contract contained options to extend or terminate the lease. The Group also elected not to separate non-lease components from lease components and instead capitalise both the lease cost and associated non-lease cost.

The Group has also elected to use the practical expedient which allows for a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics.

The impact on the financial statements on transition to IFRS 16 is outlined below:

	2019 US$'000
Opening lease commitments at 31 December 2018 as disclosed in the 2018 Annual Report	4,045
Impact of discounting	(957)
Recognition exemptions for short term and low value assets	(38)
Lease liabilities recognised at 1 January 2019	**3,050**

Statement of Financial Position:
The impact of the transition has resulted in higher property, plant and equipment and current and non-current lease liabilities. For short-term leases (lease term less than 12 months) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. Depending on the nature of the lease, this is either recognised as additions to property, plant and equipment as a right-of-use asset or administrative costs as a short-term/low-value lease rental expense.

Property, plant and equipment	1 January 2019 US$'000
Non-current	3,050
Total IFRS 16 transition	**3,050**

1. Accounting policies continued

Lease liabilities	1 January 2019 US$'000
Current	333
Non-current	2,717
Total IFRS 16 transition	**3,050**

Income Statement:
During 2019 depreciation on the right of use assets was US$329,000, associated lease rental charge decreased by US$336,000 and a foreign exchange gain of US$24,000 led to an increase in operating profit of US$31,000. The interest charge on the associated leases was US$144,000 and the aggregate impact of IFRS 16 on profit before tax was a decrease of US$113,000.

	2019 US$'000	2018 US$'000
Lease expense	**–**	336
Interest on lease liabilities	**144**	–
Depreciation on right-of-use assets	**329**	–
Foreign exchange gain	**(24)**	–
Loss	**449**	336

Cash Flow Statement:
Lease payments are currently included in financing cash flows in the cash flow statement. Financing cash flows represent both repayment of principal and interest. In prior periods, operating lease payments were all presented as operating cash flows under IAS 17.

	2019 US$'000	2018 US$'000
Cash flows from operating activities		
Lease expense	**–**	336
Cash flows from financing activities		
Payment of lease liability – principal	**144**	–
Payment of lease liability – interest	**192**	–
Total cash outflow for leases	**336**	336

iii. Measurement
The Group recognises right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or to restore the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

1. Accounting policies continued

- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Statement of Financial Position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IFRIC 23: Uncertainty over income tax treatment

IFRIC 23 is effective for accounting periods beginning on or after 1 January 2019, and the Group adopted IFRIC 23 with effect from 1 January 2019. IFRIC 23 sets out how to determine taxable profits and losses, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 – Income Taxes. Where the Group considers it is probable that an uncertain tax treatment will not be accepted by a tax authority the tax risk is measured using either the most likely amount method or the expected value method, as appropriate. The adoption and application of IFRIC 23 did not have a material impact on the Group.

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
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020	1 January 2020
Amendments to references to the Conceptual Framework in IFRS Standards (29 March 2018)	1 January 2020	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020	1 January 2020
Amendments to IFRS 3: Definition of a Business	1 January 2020	Not endorsed but on track
IFRS 17: Insurance Contracts	1 January 2020	Not endorsed but on track
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2020	Not endorsed but on track
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2020	Not endorsed. No indicative endorsement date provided
IFRS 14: Regulatory Deferral Accounts	1 January 2020	Not endorsed. No indicative endorsement date provided

New standards that came into effect on 1 January 2020 will be applied in the year ending 31 December 2020, first reporting to include these will be for the period ending 30 June 2020. The Directors do not believe that any of these standards will have a significant impact on Group and Company reporting.

1. Accounting policies continued

Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for financial assets (net profit interests, quoted shares and unquoted 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 2020 to 31 December 2021.

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

- Following completion of a transaction in 2016, the Company paid US$174.5 million to acquire Loan Notes in Midwestern Leon Petroleum Limited ("MLPL"), which are repayable by MLPL to San Leon and a 40% shareholding in MLPL. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18. Shareholders will note this is 0.864% higher than the percentage interest anticipated by San Leon at the time of the acquisition in 2016. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18 which has resulted in Martwestern Energy Limited's ("Martwestern") economic interest in Eroton now standing at 98%. 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 2019 and the basis of the forecast for 2020 and 2021. On 6 April 2020, the Company entered into an agreement amending the Loan Notes Instrument. The Amendment extends the term of the Loan Notes to December 2021 and changes the expected Loan Note repayment schedule. Up to 31 December 2019, Loan Note payments totalling US$149.1 million of both principal and interest have been made on behalf of MLPL. Since reporting date, a further US$41.5 million has been received. US$10.0 million will be due on 6 October 2020, with quarterly repayments starting from July 2021. The Group has assumed that it will receive the respective forecast cash flows during 2020 and 2021 from the Loan Notes and for the purposes of managing the loan, cash flows are allocated to interest and then capital repayments in accordance with the terms of the Loan Notes.
- Income from the provision of subsurface technical and management services of US$3.0 million per year in 2020 and 2021.
- Ongoing exploration and administrative expenditure from the Group's existing activities are in line with current expectations and commitments.
- The cash flow forecast reflects the on-going activity across the Group's exploration asset portfolio which is now substantially reduced but does take into account licence commitments and technical team costs where relevant, administrative overhead, other financial commitments and its available financial resources from existing cash balances.
- Payment of a special dividend of approximately US$33.0 million in May 2020 (Note 33).

Given the Group's well understood cost base, the principal uncertainties relate to the quantum and timing of receipt of interest and capital repayments on the Loan Notes with MLPL. It was originally envisaged that the Loan Note 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 has entered into loan arrangements in order to be able to make Loan Note payments to the Company. In the absence of the dividend payments, MLPL will be reliant on further advances under the loan arrangement and in turn being able to make Loan Note payments to the Company. The Company has no obligation arising from the loan arrangements entered into by MLPL.

The Directors have concluded, that whilst any Loan Note payment, if delayed or not received, represents an uncertainty, the receipt of any further Loan Note payment(s) is not required given a cash and cash equivalents balance at 31 December 2019 of US$36.7 million and the other cash flow forecast assumptions to continue for a period of at least 12 months from the date of approval of the financial statements.

The Directors have considered the impact of Covid-19 upon the Company's indirect interest in OML 18, and upon the Loan Notes. The field operations of OML 18 will necessarily be slowed by the taking of customary health precautions, but as with most oil operations around the world, the Company are advised by Eroton that operations are continuing on a reasonable basis. The impact of the current low oil price will likely result in the deferral of some operational and capital expenditure, as is prudent to preserve working capital by Eroton. That is expected to delay some production increases from drilling. Eroton's income will also be affected by the lower oil price itself, although that is buffered to some extent by the deferral of costs mentioned and a number of put options in place. The overall effect is likely to be some modest delay in receiving distributions from Eroton via MLPL. The Directors do not expect a material effect on the risk profile of the Loan Notes.

1. Accounting policies continued

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 2019.

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 US Dollars (US$), which is the Company's functional currency and the Group's presentational currency, rounded to the nearest thousand.

On 1 January 2019 the Company's presentation and functional currency changed from Euro to US$, given that a significant majority of Group earnings are now denominated in US$. On 1 January 2019 the Group also changed its presentation currency from Euro to US$. The Group believes that the presentation currency change will give investors and other stakeholders a clearer understanding of the Group's performance over time. It was determined appropriate to change from this date, as the Group is now in the process of exiting the majority of its European operations, and focussing on Western Africa.

Following this change in accounting policy, the comparatives in the consolidated financial statements are represented in US$ using the procedures outlined below:

- Assets and liabilities of operations with functional currencies other than US$ (including the Company for periods prior to 1 January 2019) are translated into US$ at closing rates of exchange. Trading results of such operations are translated into US$ at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the period have been presented in the currency translation reserve, a component within shareholders' equity.
- Share capital, share premium and other reserves are translated at the rate applicable on the date of the change being 1 January 2019.
- Cumulative currency translation adjustments are presented as if the Group had always used US$ as the presentation currency of its consolidated financial statements.

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:

Judgements

- Going concern (Note 1)
- Classification of finance income (Note 7)
- Impairment of investment in subsidiary (Note 16)
- Recoverability of equity accounted investments (Note 13)
- Recoverability of financial assets (Note 17)

Estimates

- Measurement of equity accounted investments (Note 13)
- Measurement of financial assets (Note 17)
- Recognition and measurement of derivatives (Note 22)
- Measurement of share-based payments (Note 27)
- Recognition of deferred tax asset for tax losses (Note 29)

1. Accounting policies continued

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 intra-group 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 have the rights to variable returns from its investment with the entity and have 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.

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.

Impairment of non-financial assets
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 of 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.

1. Accounting policies continued

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

Joint operations

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

Inventories

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

Joint arrangements

The Group has also entered into a joint venture arrangement which is operated through a joint venture. The Group accounts for its interest in this entity on an equity basis, with Group share of profit or loss after tax recognised in the Income Statement and its share of Other Comprehensive Income ("OCI") of the joint venture recognised in OCI.

Financial fixed assets – investment in subsidiaries

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

Financial assets and financial liabilities

i. Recognition and initial measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit or Loss ("FVTPL"). The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Subsequently the financial asset is measured using the effective interest method less any impairment. The amortised cost is reduced by impairment losses in accordance with Group policy set out below. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The business model in which a financial asset is held is assessed at an individual asset level for assets that are individually material, and otherwise at a portfolio level. Financial assets that are held as part of a long-term strategic investment are considered within a business model to collect contractual cash flows.

1. Accounting policies continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (FVOCI – equity investment). This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Impairment

The Group recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost.

A provision for 12-month ECL is recognised in respect of low risk assets. A provision for the lifetime ECL is recognised in respect of higher risk assets that are not credit impaired. If an asset is credit impaired, the carrying amount of the asset is reduced by its lifetime ECL.

The 12-month ECL represents the weighted average of credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. This requires a number of outcomes to be considered, a probability assigned to each, and a resulting credit loss applied to each. ECLs are discounted at the effective interest rate of the financial asset.

12-month ECL is determined using market data to benchmark expected credit losses of assets held by the Group against default rates for borrowers with similar attributes. The Group also considers financial forecasts and other forward-looking information of borrowers where this is available. Lifetime ECL is extrapolated from the 12-month ECL methodology, assuming that the periodic risk remains constant over the remaining lifetime unless there is objective evidence otherwise.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group considers a financial asset to be in default and presumed credit impaired when contractual payments are outstanding 90 days after their due date, unless there is reasonable information that amounts will be recovered; or when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security including guarantees (if any is held).

The Company has determined that MLPL is likely to meet its credit obligations as evidenced by the preparation of a Competent Persons Report in relation to San Leon's interest in OML 18.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

1. Accounting policies continued

iv. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

On derecognition of a financial asset or financial liability, the difference between the carrying amount removed or extinguished and the consideration received or paid is 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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty relates to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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 currency differences are generally recognised in profit or loss and presented within finance costs. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

1. Accounting policies continued

Foreign operations

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

Revenue recognition

For the year ended 31 December 2019 the Group used the five-step model as prescribed under IFRS 15 on the Group's revenue transactions. This included the identification of the contract, identification of the performance obligations under same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue. The point of recognition arises when the Group satisfies a performance obligation by transferring control of a promised seismic processing service to the customer, which could occur over time.

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.

The 'effective interest rate' is the rate that at initial recognition exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset net of impairment provision. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

Share capital

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

Share-based payments

The Group has applied the requirements of IFRS 2 'share-based payments'. The Group issues share options as an incentive to certain key management and staff (including Directors), which are classified as equity settled share-based payment awards. The grant date fair value of share options granted to Directors and employees under the Company's share option scheme is recognised as an expense over the vesting period with a corresponding credit to the share-based payments reserve. The fair value is measured at grant date and spread over the period during which the awards vest.

The 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.

1. Accounting policies continued

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 present 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand on demand.

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.

Defined contribution pension scheme

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

Fair value movement

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

Significant valuation issues are reported to the Board.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For further detail on assumptions made in measuring Level 3 fair values see the following notes:

- Note 17 Financial Assets
- Note 22 Derivative

1. Accounting policies continued

Assets and liabilities measured at fair value

In accordance with IFRS 13, the Group discloses its assets and liabilities held at fair value after initial recognition in the following categories: FVOCI – equity instrument and FVTPL.

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.

Revenue and Segmental Information

2019	Poland US$'000	Morocco US$'000	Albania US$'000	Nigeria US$'000	Ireland US$'000	Spain US$'000	Unallocated# US$'000	Total US$'000
Total revenue	266	–	–	–	–	–	–	266
Impairment of exploration and evaluation assets	(126)	(150)	(190)	–	–	(941)	–	(1,407)
Segment profit / (loss) before income tax	(15,074)	1,134	(190)	23,575	(48,373)	(1,014)	(12,749)	(52,691)
Property, plant and equipment	32	–	–	1,476	2,836	–	–	4,344
Equity accounted investments	–	–	–	51,866	–	–	–	51,866
Segment non-current assets	32	–	–	53,111	7,554	–	194	60,891
Capital expenditure	–	–	–	–	–	–	–	–
Segment liabilities	(194)	(268)	(804)	–	(2,835)	(739)	(3,251)	(8,091)

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.

2. Revenue and segmental information continued

2018	Poland US$'000 (Restated)	Morocco US$'000 (Restated)	Albania US$'000 (Restated)	Nigeria US$'000 (Restated)	Ireland US$'000 (Restated)	Spain US$'000 (Restated)	Unallocated# US$'000 (Restated)	Total US$'000 (Restated)
Total revenue	198	–	–	–	–	–	–	198
Impairment of exploration and evaluation assets	–	–	(3,074)	–	–	–	–	(3,074)
Segment (loss) / profit before income tax	(14,075)	–	(3,111)	33,346	2,315	–	(20,510)	(2,035)
Property, plant and equipment	50	–	–	1,867	47	–	–	1,964
Equity accounted investments	–	–	–	55,070	–	–	–	55,070
Segment non-current assets	49	–	–	128,048	53,767	–	252	182,116
Capital expenditure^	–	–	211	–	–	–	–	211
Segment liabilities	(911)	(661)	(816)	–	–	–	(19,663)	(22,051)

^ *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.

3. Other income

Group	**2019 US$'000**	2018 US$'000 (Restated)
Zag Licence – Bank Guarantee	**1,400**	–

Zag Licence – Bank Guarantee

In September 2019, Office National des Hydrocarbures et des Mines ("ONHYM") returned the Zag Licence bank guarantee of US$1.4 million to the Company. This bank guarantee had been previously fully provided for in the 2017 and 2018 financial statements.

ONHYM have also withdrawn their request for a penalty regarding the non-performance of the Zag Licence work programme of US$1.4 million. This penalty was not previously recognised in the accounts as the Directors believed it was unlikely to succeed in any arbitration case.

4. Profit or loss on disposal of subsidiaries

	2019 US$'000	2018 US$'000 (Restated)
Gora Energy Sp. z o.o. & Liesa Energy Sp. z o.o. to Gemini Resources Limited (i)	–	1,184
Island Oil & Gas Limited to Ardilaun Energy Limited (ii)	–	(750)
Other, recycling from equity to Income Statement (iii)	**(13,870)**	(13,567)
Horizon Petroleum Ltd (iv)	**100**	–
	(13,770)	(13,133)

(i) Gora Energy Sp. z o.o. & Liesa Energy Sp. z o.o. to Gemini Resources Limited
In 2018, the Group recognised a profit on disposal of US$1.2 million in relation to the sale of two wholly owned subsidiaries, Gora Energy Sp. z o.o. ("Gora") and Liesa Energy Sp. z o.o. ("Liesa"), to Gemini Resources Limited ("Gemini").

The profit related to the Group's derecognition of decommissioning liabilities associated with Gora and Liesa, which had previously been fully provided for. This resulted in a US$1.2 million gain in the Income Statement as at 31 December 2018.

The sale to Gemini has also resulted in the realisation of the cumulative foreign currency losses of US$8.6 million.

(ii) Island Oil & Gas Limited to Ardilaun Energy Limited
In 2018, the Group recognised a further loss on disposal of US$0.8 million in relation to the sale of Island Oil & Gas Limited to Ardilaun Energy Limited in 2014. The loss primarily related to the Group's contribution to the licence fees liability commitment associated with the exploration and evaluation assets disposed of in 2014.

(iii) Other
In 2019 the Company liquidated certain foreign operations that held non-core assets. The Group's investment in the assets held by the subsidiaries has been fully impaired in prior periods. The liquidation or disposal of the foreign operations has resulted in the realisation of cumulative foreign currency losses of US$13.9 million (2018: US$13.6 million), that had previously been recognised in equity. The realisation of the cumulative foreign currency losses does not impact the consolidated assets or liabilities.

(iv) Horizon Petroleum Ltd.
In August 2019, sale and purchase agreements were completed for the sale of a 100% interest in two oil and gas concessions in Poland, known as Bielsko-Biala and Cieszyn (together the "Primary Concessions"), and a 100% interest in two additional oil and gas concessions in Poland, known as Prusice and Kotlarka, (together the "Secondary Concessions") with Horizon Petroleum Ltd. ("Horizon") (TSXV: HPL).

San Leon will receive a 6% net profit interest on the Primary and Secondary Concessions when the concessions are transformed and granted to Horizon. Under revised completion terms, a cash payment of US$1,080,000 is also due to be paid to San Leon if the Bielsko-Biala concession is transformed and granted to Horizon. At the same time, San Leon is also to receive US$769,558 (CAD$1.0 million) in shares of Horizon. A cash payment of approximately US$75,000 is due to be paid to San Leon for each of the Secondary Concessions if granted to Horizon.

The aggregate consideration of US$2.0 million has been noted in Commitments and Contingencies (Note 28).

On completion of the sale, a US$100,000 advance received by the Company in 2017 as part of the Memorandum of Understanding became non-refundable.

5. Statutory information

(a) Group

	2019 US$'000	2018 US$'000 (Restated)
The loss for the financial year is stated after charging:		
Depreciation of property, plant, machinery and equipment	**960**	850
Gain on foreign currencies	**403**	552
Operating lease rentals		
– Premises	**–**	381
Impairment of exploration and evaluation assets	**1,407**	3,074
Director's shares to be issued*	**–**	756
Share-based payment charge	**1,068**	520

* *Oisín Fanning was due 2,537,328 ordinary shares in lieu of 80% of his salary for the period 1 January 2018 to 30 September 2018 and this was charged in 2018. These shares were issued on 25 February 2019.*

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

Auditor's remuneration

	2019 US$'000	2018 US$'000 (Restated)
Fees paid to lead audit firm:		
Audit of the Group financial statements	**191**	195
Audit of the subsidiary financial statements	**62**	63
Total	**253**	258

During the year, the Group (including its equity accounted investment) obtained the following audit services, excluding the Group Auditor, KPMG:

	2019 US$'000	2018 US$'000 (Restated)
Fees paid to other firms:		
Audit of equity accounted investment	**48**	182
Total	**48**	182

(b) Company

	2019 US$'000	2018 US$'000 (Restated)
The loss / profit for the financial year is stated after charging:		
Depreciation of property, plant, machinery and equipment	**343**	1
Gain on foreign currencies	**678**	724
Operating lease rentals – premises	**–**	344
Auditor's remuneration – audit services	**191**	195

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 US$12.3 million (2018: a profit of US$24.1 million) has been recorded in the Parent Company.

6. Finance expense

	2019 US$'000	2018 US$'000 (Restated)
On loans and overdraft	–	143
Finance arrangement expenses	–	2,105
Interest on obligations for leases	**144**	–
Fair value charge on issue of options and warrants (Note 22)	–	169
	144	2,417

7. Finance income

	2019 US$'000	2018 US$'000 (Restated)
Total finance income on Loan Notes (Note 17)	**23,313**	37,613
Foreign exchange gain on Loan Notes, Valuation (Note 17)	–	6,804
Foreign exchange loss on Loan Notes, ECL (Note 17)	–	(438)
Movement in fair value of derivatives (Note 22)	**531**	–
Deposit interest received	**278**	101
Interest on Director's loan (Note 31)	**1**	2
	24,123	44,082

All interest income is in respect of assets measured at amortised cost.

8. Expected credit losses

	2019 US$'000	2018 US$'000 (Restated)
Loan Notes gain (Note 17)	**3,465**	4,212
Other debtors provision (Note 19)	–	(3,532)
	3,465	680

9. Personnel expenses

Number of employees

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

	2019 Number	2018 Number
Directors	**8**	9
Administration	**11**	11
Technical	**1**	5
Seismic crew	**4**	6
	24	31

Employment costs (including Directors)

	2019 US$'000	2018 US$'000 (Restated)
Wages and salaries (excluding Directors)	**1,625**	2,088
Directors' salaries	**2,579**	1,780
Director bonuses	**637**	862
Social welfare costs	**494**	472
Directors' fees and consultancy costs	**593**	803
Termination payments	**128**	213
Shares to be issued in lieu of Director's salary#	**–**	756
Share-based payment charge for options issued to Directors	**492**	194
Share-based payment charge on repricing of options issued to Directors	**116**	–
Share-based payment charge on repricing of options issued to employees	**104**	–
Employees' pension	**35**	53
Benefits (including Directors)	**101**	58
Directors' pension	**102**	96
	7,006	7,375

Oisín Fanning was due 2,537,328 ordinary shares in lieu of 80% of his salary for the period from 1 January 2018 to 30 September 2018 and US$756,000 has been recognised in share-based payments in respect of this. These shares were issued on 25 February 2019.

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

Details of consultancy arrangements with Directors are set out in Note 31.

The Group contributes to a defined contribution pension scheme for certain Executive Directors 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 US$0.1 million (2018: US$0.1 million).

10. Income tax

	2019 US$'000	2018 US$'000 (Restated)
Current tax		
Current year income tax	**3**	3
Deferred tax		
Origination and reversal of temporary differences (Note 29)	**2,006**	3,121
Deferred tax movement in Barryroe NPI (Note 29)	**(16,064)**	764
Deferred tax movement on fair value of other financial assets, Quoted shares	**(24)**	(111)
Total income tax (credit) / charge	**(14,079)**	3,777
Deferred tax relating to items charged / credited to equity		
Deferred tax movement on fair value of other financial assets, Unquoted shares	**(40)**	39
Total income tax (credit) / charge	**(40)**	39

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:

	2019 US$'000	2018 US$'000 (Restated)
Loss before income tax	**(52,691)**	(2,035)
Tax on loss at applicable Irish corporation tax rate of 25% (2018: 25%)	**(13,173)**	(509)
Effects of:		
Deferred tax on fair value movement in financial assets	**(3,870)**	185
Prior year adjustment	**(24)**	(111)
Losses utilised in year	**(2,006)**	(3,121)
Expenses not deductible for tax purposes	**3,269**	5,924
Income tax withheld	**3**	3
Excess losses carried forward	**1,722**	1,406
Tax (credit) / charge for the year	**(14,079)**	3,777

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. Liabilities for uncertain tax treatments are recognised in accordance with IFRIC 23 and are measured using either the most likely amount method or the expected value method – whichever better predicts the resolution of the uncertainty.

11. Loss per share

Basic loss 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:

	2019 US$'000	2018 US$'000 (Restated)
Loss for the year	**(38,612)**	(5,812)

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

	2019 Number of shares	2018 Number of shares
In issue at start of year (Note 25)	**500,256,857**	500,256,857
Shares to be issued at start of year	**5,590,270**	3,052,942
Effect of tender offer and buybacks in the year	**(39,697,582)**	–
Effect of shares issued and shares to be issued in the year	**195,890**	1,451,304
Weighted average number of ordinary shares in issue (basic)	**466,345,435**	504,761,103
Basic loss per ordinary share (cent)	**(8.28)**	(1.15)

Diluted loss per share

Diluted loss 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:

	2019 US$'000	2018 US$'000 (Restated)
Loss for the year	**(38,612)**	(5,812)

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

	2019 Number of shares	2018 Number of shares
Basic weighted average number of shares in issue during the year	**466,345,435**	504,761,103
Effect of share options and warrants in issue	**–**	–
	466,345,435	504,761,103
Diluted loss per ordinary share (cent)	**(8.28)**	(1.15)

The number of options which are anti-dilutive and have therefore not been included in the above calculations is 39,559,074 (2018: 39,304,060).

12. Intangible assets

Group	Exploration and evaluation assets US$'000
Cost and net book value	
At 1 January 2018 (Restated)	2,864
Additions (ii)	210
Write off / impairment of exploration and evaluation assets	(3,074)
At 31 December 2018 (Restated)	–
Additions (ii)	1,201
Transfer from other non-current assets (Note 15)	206
Write off / impairment of exploration and evaluation assets	(1,407)
At 31 December 2019	**–**

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

	2019 US$'000	2018 US$'000 (Restated)
Spain	**941**	–
Albania	**190**	3,074
Morocco	**150**	–
Poland	**126**	–
	1,407	3,074

(ii) This is the net amount incurred by San Leon Energy and excludes amounts attributable to joint operating partners of US$Nil in 2019 (2018: US$Nil).

The Directors have considered the carrying value at 31 December 2019 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. Based on internal assessments from the latest information available, the Directors fully impaired the exploration and evaluation assets in 2019.

13. Equity accounted investments

Group	**2019 US$'000**	2018 US$'000 (Restated)
Cost and net book value		
At 1 January	**55,070**	69,763
Share of loss of equity accounted investment	**(3,204)**	(14,693)
At 31 December	**51,866**	55,070

13. Equity accounted investments continued

The Group's only joint venture entity at 31 December 2019 is as follows:

Name	Registered office	% held
Midwestern Leon Petroleum Limited	5th Floor Barkly Wharf, Le Caudan Waterfront, Port Louis, Republic of Mauritius	40%

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

	Equity Interest	
	40%	40%
	2019 US$'000	2018 US$'000 (Restated)
Loss from continuing operations	**(8,011)**	(32,402)
Total comprehensive loss	**(8,011)**	(36,734)
Non-current assets	**204,312**	203,793
Current assets (excluding cash)	**262,444**	242,749
Non-current liabilities	**–**	(48,259)
Current liabilities	**(337,091)**	(260,608)
Net assets	**129,665**	137,675
Group's interest in net assets of investee at 1 January	**55,070**	69,763
Share of loss	**(3,204)**	(14,693)
Group's interest in net assets of investee at 31 December	**51,866**	55,070

During 2016 the Company acquired a 40% non-controlling interest in MLPL as part of the OML 18 transaction. Full details of the OML 18 transaction are set out in Note 17(i). The movement during 2019 reflects a share of the loss of MLPL being administrative costs of US$2.1 million (2018: US$1.9 million), other income of US$7.2 million (2018: US$0.1 million), net finance costs of US$5.5 million (2018: US$23.8 million), profit on investment of US$0.5 million (2018: US$0.5 million) and a tax charge of US$8.0 million (2018: US$6.9 million).

The above interest is accounted for as an equity accounted investment as San Leon does not have control over the entity, which is governed under a Joint Venture Agreement requiring the approval of both parties to the Joint Venture Agreement in respect of all operating decisions.

The Group identified potential impairment indicators, being that MLPL is yet to receive a dividend from Eroton, the equity interest is currently loss making, and MLPL has entered into a loan to be able to make Loan Note repayments to the Group. To test for a potential impairment the carrying value of the equity interest in MLPL was compared against the fair value less cost of sale. This was estimated using a discounted cash flow model of the expected future cash flows from MLPL's share of the underlying OML 18 asset. Future cash flows of OML 18 were estimated using the following price assumptions of US$65/bbl in 2020, US$68/bbl in 2021, US$70/bbl in 2022 and a subsequent long term price US$72/bbl escalated at 2% annually, with the cash flows discounted using a post-tax discount rate of 10%. Assumptions involved in the impairment assessment include estimates of commercial reserves, production rates, future oil prices, discount rates and operating and capital expenditure profiles, all of which are inherently uncertain. This analysis identified that the carrying value of the equity interest in MLPL is not impaired.

If the recoverable amount was estimated taking into account a reduction in the oil price to US$35/bbl in 2020, US$45/bbl in 2021 and a long term price of US$60/bbl escalated at 2% annually, then the carrying value of the equity interest in MLPL would still not be impaired.

The Directors recognise that the future realisation of the equity accounted investment is dependent on future successful exploration and appraisal activities and subsequent production of oil and gas reserves.

14. Property, plant and equipment

Group	Leased assets US$'000	Plant & equipment US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost					
At 1 January 2018 (Restated)	–	9,256	1,197	438	10,891
Additions	–	–	75	–	75
Currency translation adjustment	–	(176)	(14)	(9)	(199)
At 31 December 2018 (Restated)	–	9,080	1,258	429	10,767
Adoption of IFRS 16 leases	3,050	–	–	–	3,050
Additions	231	–	–	82	313
Currency translation adjustment	–	(30)	(55)	(16)	(101)
At 31 December 2019	**3,281**	**9,050**	**1,203**	**495**	**14,029**
Depreciation					
At 1 January 2018 (Restated)	–	6,543	1,174	429	8,146
Charge for the year	–	837	6	7	850
Currency translation adjustment	–	(173)	(11)	(9)	(193)
At 31 December 2018 (Restated)	–	7,207	1,169	427	8,803
Charge for the year	329	626	–	5	960
Currency translation adjustment	–	(30)	(31)	(17)	(78)
At 31 December 2019	**329**	**7,803**	**1,138**	**415**	**9,685**
Net book values					
At 31 December 2019	**2,952**	**1,247**	**65**	**80**	**4,344**
At 31 December 2018 (Restated)	–	1,873	89	2	1,964

14. Property, plant and equipment continued

Company	Leased assets US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost				
At 1 January 2018 (Restated)	–	501	–	501
Additions	–	47	–	47
At 31 December 2018 (Restated)	–	548	–	548
Adoption of IFRS 16 leases	3,050	–	–	3,050
Additions	231	–	82	313
At 31 December 2019	**3,281**	**548**	**82**	**3,911**
Depreciation				
At 1 January 2018 (Restated)	–	501	–	501
Charge for the year	–	1	–	1
At 31 December 2018 (Restated)	–	502	–	502
Charge for the year	329	12	2	343
At 31 December 2019	**329**	**514**	**2**	**845**
Net book values				
At 31 December 2019	**2,952**	**34**	**80**	**3,066**
At 31 December 2018 (Restated)	–	46	–	46

15. Other non-current assets

	Group 2019 US$'000	Group 2018 US$'000 (Restated)	Company 2019 US$'000	Company 2018 US$'000 (Restated)
Deposits on Spanish oil and gas concession applications (i)	**–**	105	**–**	–
Deposits on Spanish oil and gas concessions (i)	**–**	101	**–**	–
	–	206	**–**	–

	Group 2019 US$'000	Group 2018 US$'000 (Restated)	Company 2019 US$'000	Company 2018 US$'000 (Restated)
At 1 January	**206**	206	**–**	–
Deposits retained by Ministry (i)	**–**	–	**–**	–
Transfer to intangible assets (i) (Note 12)	**(206)**	–	**–**	–
At 31 December	**–**	206	**–**	–

(i) The deposits paid were recoverable on completion of work programmes attached to each of the concessions. During 2019 the Ministry signalled its intention to retain US$0.2 million in relation to oil and gas concession applications that were withdrawn by the Company.

The deposits were transferred to intangible assets and then fully impaired by the Company.

16. Financial assets – Company

	2019 US$'000	2018 US$'000 (Restated)
Investment in subsidiary undertakings at cost:		
Balance at beginning of year	**31,539**	34,608
Impairment during the year (i)	**–**	(3,069)
Balance at end of year	**31,539**	31,539

(i) The impairments to the Company's investment in subsidiary undertakings recorded in 2018 reflects the write down in the carrying value of the Group's exploration and evaluation assets in the year.

16. Financial assets – Company continued

At 31 December 2019, 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	2 Shelbourne Buildings, Crampton Avenue, Shelbourne Road, Ballsbridge, Dublin 4
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
Aurelian Oil & Gas Limited	36 The Crescent, Bricket Wood, St Albans, AL2 3NF, United Kingdom
San Leon Energy Nigeria B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
San Leon Energy (Iraq) Limited	2 Shelbourne Buildings, Crampton Avenue, Shelbourne Road, Ballsbridge, Dublin 4
Indirectly held:	
Baltic Oil and Gas 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
San Leon Services 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 Torzym 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
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 Tarfaya Shale B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Seisquest B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands
Braniewo B.V.	de Ronge 16, 1852 XB Heiloo, The Netherlands.
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
Frontera Energy Corporation S.L.	Paseo Maria Agustin, 4-6, Esc 3. Piso 4, Zaragoza, 5004, Spain
San Leon Energy (UK) Limited	36 The Crescent, Bricket Wood, St Albans, AL2 3NF, United Kingdom
AOG Finance Limited	36 The Crescent, Bricket Wood, St Albans, AL2 3NF, United Kingdom
Balkan Explorers (Bulgaria) Limited	36 The Crescent, Bricket Wood, St Albans, AL2 3NF, United Kingdom

The Company is continuing 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 (i) US$'000 Amortised cost	Barryroe 4.5% net profit interest (ii) US$'000 FVTPL	Quoted shares (iii) US$'000 FVOCI – equity instrument	Unquoted shares (iv) US$'000 FVOCI – equity instrument	Total US$'000
Cost / Valuation					
At 1 January 2018 (Restated)	154,374	48,827	34	2,506	205,741
Finance income	37,613	–	–	–	37,613
Loan Notes receipts – principal	(31,572)	–	–	–	(31,572)
Loan Notes receipts – interest	(33,032)	–	–	–	(33,032)
Exchange rate adjustment, Income Statement	6,804	–	–	–	6,804
Fair value movement, Income Statement	–	2,315	(34)	–	2,281
Fair value movement, Other comprehensive income	–	–	–	119	119
At 31 December 2018 (Restated)	134,187	51,142	–	2,625	187,954
Finance income	23,313	–	–	–	23,313
Loan Notes receipts – principal	(23,361)	–	–	–	(23,361)
Loan Notes receipts – interest	(19,885)	–	–	–	(19,885)
Impairment of unquoted shares, Other comprehensive income	–	–	–	(2,625)	(2,625)
Additions (viii)	–	–	–	194	194
Fair value movement, Income Statement	–	(48,373)	–	–	(48,373)
At 31 December 2019	**114,254**	**2,769**	**–**	**194**	**117,217**
Expected Credit Loss Provision					
At 1 January 2018 (Restated)	–	–	–	–	–
Recognised on transition to IFRS 9	(9,241)	–	–	–	(9,241)
Released in the year	4,212	–	–	–	4,212
Exchange rate adjustment, Income Statement	(438)	–	–	–	(438)
At 31 December 2018 (Restated)	(5,467)	–	–	–	(5,467)
Released in the year	3,465	–	–	–	3,465
At 31 December 2019	**(2,002)**	**–**	**–**	**–**	**(2,002)**
Book value at 31 December 2019	**112,252**	**2,769**	**–**	**194**	**115,215**
Current	**112,252**	**–**	**–**	**–**	**112,252**
Non-current	**–**	**2,769**	**–**	**194**	**2,963**
Book value at 31 December 2018 (Restated)	128,720	51,142	–	2,625	182,487
Current	57,611	–	–	–	57,611
Non-current	71,109	51,142	–	2,625	124,876

Net Profit Interests (v) (vi) (vii): These NPIs have a nil value from acquisition.

17. Financial assets continued

Company	OML 18 (i) US$'000 Amortised cost	Barryroe 4.5% net profit interest (ii) US$'000 FVTPL	Quoted shares (iii) US$'000 FVOCI – equity instrument	Unquoted shares (iv) US$'000 FVOCI – equity instrument	Total US$'000
Cost / Valuation					
At 1 January 2018 (Restated)	154,374	48,827	34	2,506	205,741
Finance income	37,613	–	–	–	37,613
Loan Notes receipts – principal	(31,572)	–	–	–	(31,572)
Loan Notes receipts – interest	(33,032)	–	–	–	(33,032)
Exchange rate adjustment, Income Statement	6,804	–	–	–	6,804
Fair value movement, Income Statement	–	2,315	(34)	–	2,281
Fair value movement, Other comprehensive income	–	–	–	119	119
At 31 December 2018 (Restated)	134,187	51,142	–	2,625	187,954
Finance income	23,313	–	–	–	23,313
Loan Notes receipts – principal	(23,361)	–	–	–	(23,361)
Loan Notes receipts – interest	(19,885)	–	–	–	(19,885)
Impairment of unquoted shares	–	–	–	(2,625)	(2,625)
Fair value movement, Income Statement	–	(48,373)	–	–	(48,373)
At 31 December 2019	114,254	2,769	–	–	117,023
Expected Credit Loss Provision					
At 1 January 2018 (Restated)	–	–	–	–	–
Recognised on transition to IFRS 9	(9,241)	–	–	–	(9,241)
Released in the year	4,212	–	–	–	4,212
Exchange rate adjustment, Income Statement	(438)	–	–	–	(438)
At 31 December 2018 (Restated)	(5,467)	–	–	–	(5,467)
Released in the year	3,465	–	–	–	3,465
At 31 December 2019	**(2,002)**	**–**	**–**	**–**	**(2,002)**
Book value at 31 December 2019	**112,252**	**2,769**	**–**	**–**	**115,021**
Current	**112,252**	**–**	**–**	**–**	**112,252**
Non-current	**–**	**2,769**	**–**	**–**	**2,769**
Book value at 31 December 2018 (Restated)	128,720	51,142	–	2,625	182,487
Current	57,611	–	–	–	57,611
Non-current	71,109	51,142	–	2,625	124,876

(i) OML 18

In September 2016, the Company secured an indirect economic interest in OML 18, onshore Nigeria.

The Company undertook a number of steps to effect this purchase. 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, a company incorporated in Nigeria. Martwestern holds a 50% shareholding in Eroton, a company incorporated in Nigeria and the operator of OML 18, and Martwestern also holds an initial 98% economic interest in Eroton. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18. Shareholders will note that this is higher than the percentage interest anticipated by San Leon at the time of the acquisition in 2016. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18.

17. Financial assets continued

To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed US$174.5 million in incremental amounts by issuing Loan Notes with an annual coupon of 17% ("Loan Notes") and effective interest rate of 25%, as noted below. Midwestern Oil and Gas Company Limited ("Midwestern") is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL and the holder of an indirect economic interest in OML 18. San Leon is due to be repaid the full amount of the US$174.5 million plus the 17% coupon once certain conditions have been met and using an agreed distribution mechanism. Through its wholly owned subsidiary, San Leon Nigeria B.V., the Company 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.

The fair value assessment of the Loan Notes on acquisition was calculated as follows:

	Total US$'000
Total consideration	188,419
Fair value of Loan Notes attributable to equity investment #	(30,889)
Net fair value of Loan Notes	157,530
Arrangement fees	(5,500)
Additions to Financial Assets in 2016 including accrued interest at date of acquisition	152,030

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, giving an effective interest rate of 25%.

The key information relevant to the fair value of the Loan Notes on the date they were initially recognised 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 ability to generate cash flows for timely repayment • Loan Notes are repayable in full by 30 September 2020.	The estimated value would increase / (decrease) if: US Dollar exchange rate increased / (decreased)

* *Day 1 and considered appropriate at 31 December 2019.*

The business model for the MLPL loan is to hold to collect. In 2018 management chose to take the opportunity of the adoption of IFRS 9 to build a new financial model to improve estimation of amounts in respect of the MLPL loan on an IFRS 9 basis. Although the basis of accounting under IFRS 9 should be consistent with IAS 39, the revised calculation provides a better estimate of the effect of small timing differences on the amounts contractually recoverable under the loan agreement, and the amortisation of the discount to the par value initially recognised.

The credit risk is managed via various undertakings, guarantees, a pledge over shares and the mechanism whereby MLPL prioritises payment of sums due under the Loan Notes. These are described further in Note 31. 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. To date Eroton have been unable to make a dividend distribution. 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 2019 San Leon received total payments under the Loan Notes of US$43.2 million (2018: US$64.6 million). The payments received during 2019 represent principal of US$23.3 million (2018: US$31.6 million) and interest of US$19.9 million (2018: US$33.0 million)) on the Loan Notes repaid. As at 31 December 2019 there was US$114.3 million in principal and interest (2018: US$134.2 million), due under the Loan Notes.

17. Financial assets continued

In 2020 the Company has received total payments under the Loan Notes of US$41.5 million. On 6 April 2020, the Company entered into an Agreement with MLPL, amending the timing of the remaining payment of the Loan Notes Instrument. At the date of the Agreement, the remaining outstanding balance on the par value was US$82.1 million* (accounted for as US$79.5 million under IFRS). Of this, US$10.0 million will be repaid on or before 6 October 2020, with the balance of the Loan Notes receivable payable in three quarterly instalments, commencing in July 2020 and completing by December 2021. The outstanding loan will continue to have an annual coupon rate of 17% and an effective interest rate of 25% per annum until repaid. All other material terms of the Loan Notes Instrument remain unchanged.

The Directors of San Leon have considered the credit risk of the Loan Notes at 31 December 2018 and 31 December 2019. Due to the inability of MLPL to make dividend distributions, the Directors continue to consider that the credit risk has significantly increased since initial recognition, and a provision for the lifetime expected credit loss of the Loan Notes has been recognised. As at 31 December 2019 the Directors were not in discussion with MLPL regarding any amendment to the terms of the Loan Notes nor were there any events at this time that warranted an amendment to the terms of the Loan Notes, and so the Agreement entered into on 6 April 2020 was not taken into account at year end. However, under the terms of the Agreement the full principal is to be repaid and interest continues to accrue at the original contractual rate.

The Loan Notes are not considered credit impaired on the basis of operational reports and forward-looking management information of OML 18 which are consistent with successful exploitation of the field over its life, and the funding facilities expected to be available to MLPL over the short to medium term.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss and, although this has been assessed as having increased significantly since initial recognition, it is not considered to have increased during the year ended 31 December 2019. Factors that have been considered to reduce overall credit risk include an ongoing guarantee from Midwestern, which guarantees all indebtness and associated obligations of MLPL, with the Loan Notes being the most senior debt within the company and a number of oil price put options in place at the Eroton level, which partially mitigates downside risk to the cash flows of OML 18 arising from a reduction in oil prices.

The Loan Notes are unique assets for which there is no directly comparable market data. Repayments of the Loan Notes are expected to be made from the underlying cash flows that support MLPL. Accordingly, the lifetime expected credit loss of the Loan Notes has been determined based on publicly available macroeconomic data of 12-month default rates by geography, industry and rating, and considering forward-looking information with regard to oil prices and operational and financial reports of the borrower to determine whether any adjustment to the historical trends is appropriate at 1 January 2019 or 31 December 2019. The Directors have considered the credit risk of MLPL, and determined that, although the credit risk has increased since initial recognition, it remains unchanged from the prior year. An annual expected credit loss of 3.11% was considered to be an appropriate rate from which to extrapolate a lifetime expected credit loss as at 1 January 2019 and 31 December 2019. In management's view the outlook for the OML 18 oil reserves is broadly stable over the term of the loan and does not provide evidence of a change in future risk from the historical trend.

The loss on default has been assumed to be 100% due to the holding and financial structure of the underlying asset which supports the Loan Notes. Default events are those which will give rise to an economic loss for the Company, rather than just a timing issue of when cash is received, At that point the underlying asset would need to have been substantially underperforming and it is likely that this would precipitate a restructuring between the parties that would be time-consuming, incur additional cost, and from which any ultimate recovery by the Company cannot be reliably assessed.

The Company determined that the expected credit loss provision of US$5.5 million, being 4.0% of the balance at 1 January 2019 was appropriate. This declined to US$2.0 million at year end due to the contractual lifetime of the Loan Notes reducing by 12 months, thereby reducing the expected probability of default over the remaining loan term to 1.8%. The repayments made in 2019 reduced the balance at that date, resulting in a gain of US$3.5 million to the Income Statement for 2019.

(ii) Barryroe – 4.5% Net Profit Interest

SLE holds a 4.5% Net Profit Interest in the Barryroe oil field at fair value through profit and loss under IFRS 9. In 2018 the valuation approach was based on assumptions, public information and modelling contained within a broker report (dated 12 December 2018). For the year ended 31 December 2019 the Board has considered this approach, but believe many of the previous assumptions are now out-of-date, and have therefore adopted a market-based valuation approach using the price of the publicly listed shares of Providence Resources plc ("Providence") (operator and holder of an owner of 80% interest in the Barryroe oil field) as its basis. The Directors believe the markets assessment of the current risks and uncertainties of the project have been reflected within the share price of Providence at year end, and it is therefore appropriate to use this to update their valuation.

The 2019 announcements by Providence in relation to Standard Exploration Licence 1/11 which contains the Barryroe oil accumulation indicate an increased project risk given the uncertainty regarding project funding and therefore timing around the development of the asset. While the site survey on the project was achieved, these delays will impact the timing of future cash flows and valuation for San Leon.

* *Refer to Alternate Performance Measures on page 121 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

17. Financial assets continued

Given the latest announcements and incorporating uncertainty regarding project timing and funding, the Directors have reviewed the modelling assumptions regarding timing, oil price, costs and risk, and consider it reasonable and appropriate to impair the Barryroe carrying value by US$48.4 million (Year end 2019: US$30.5 million, 2019 Half year: US$17.9 million) to US$2.8 million to reflect their estimate of the impact of these risks to the future cash flows on the value of the asset.

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 measurements
Market based approach using share price of Operator (Providence) (2018: Internal management model)	Estimated value of NPI as percentage of total field NPV 9.5% (2018: 9.5%) 2018: First oil 2024 Oil price over the period is to be US$60/BBL Risking applied is 64% Discount rate 10% Capex and opex based upon current and expected market rates Life of field expected to be 17 years Oil production of 311MM BBL over the life of the field on a successful development of the 2C contingent resources case	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

At 31 December 2019, the Company holds 213,512 ordinary shares at a market value of US$Nil (2018: US$Nil). The value of the investment was written down to nil in 2018 due to the shares of Amedeo Resources plc being de-listed.

(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 2019 and given the length of time to obtain Irish government approval for the transaction, the Directors feel it is prudent to carry the 15% of Ardilaun shares still to be issued to San Leon at a value of US$Nil (2018: US$2.6 million). Consequently, US$2.6 million has been charged to Other comprehensive income.

(v) Poznan 10% Net Profit Interest

In 2016, San Leon sold its 35% interest in the Poznan assets for a consideration of €1 plus a 10% NPI. Until active development commences a nil value has been placed on the NPI. There has been no change in 2019.

(vi) Gora 5% Net Profit Interest

In 2018, San Leon sold its interest in the Gora assets for a consideration of €1 plus a 5% NPI. Until active development commences a nil value has been placed on the NPI. (Notes 4(i)). There has been no change in 2019.

(vii) Liesa 5% Net Profit Interest

In 2018, San Leon sold its interest in the Liesa assets for a consideration of €1 plus a 5% Net Profit Interest ("NPI"). Until active development commences a nil value has been placed on the NPI. (Notes 4(i)). There has been no change in 2019.

(viii) Gemini Resources Limited

In 2019, San Leon converted a debtor of US$192,607 due from Gemini Resources Limited ("Gemini") into 54,818 fully paid ordinary shares in Gemini.

18. Inventory

	Group		Company	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Spare parts and consumables	**180**	272	**–**	–

Spare parts include drilling equipment and consumables utilised by the Group's seismic services company.

19. Trade and other receivables

	Group		Company	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Amounts falling due within one year:				
Amounts owed by Group undertakings (i)	**–**	–	**103,236**	152,611
Expected credit loss on amounts owed by Group undertakings (i)	**–**	–	**(100,059)**	(149,434)
Net amounts owed by Group undertakings	**–**	–	**3,177**	3,177
Trade receivables from joint operating partners	**2**	38	**–**	16
Corporation tax refundable	**52**	38	**52**	38
VAT and other taxes refundable	**134**	474	**63**	71
Other debtors (ii)	**4,242**	4,629	**696**	860
Expected credit loss on other debtors (ii)	**(3,532)**	(3,532)	**–**	–
Prepayments	**89**	66	**80**	22
Director's loan (Note 31)	**–**	727	**–**	727
	987	2,440	**4,068**	4,911

(i) Amounts owed by Group undertakings are interest free and repayable on demand with the exception of amounts due from the Polish subsidiaries of US$6.2 million (2018: US$7.7 million) which are repayable on demand and subject to a market rate of interest from the date the loan was advanced (Note 31).

At 31 December 2019, the Company is owed US$103.2 million (2018: US$152.6 million) by its subsidiaries in respect of funds advanced to them and expenses discharged by the Company on their behalf. An impairment provision of US$100.1 million (2018: US$149.4 million) against these debts has been provided as at the year end. The credit-impaired balances relate to the funding of historical investments in subsidiaries to hold assets and businesses which have been abandoned or discontinued in prior periods and from which no economic value is expected. The expected credit loss on remaining loans to subsidiaries is not considered material.

(ii) In 2017, other debtors included US$3.6 million due from NSP Investments Holdings Ltd for the disposal of equity accounted investments. During 2018, the Directors fully provided for the amount. There has been no change in 2019.

The remaining other debtors consists of rent deposits and similar receivables.

20. Cash and cash equivalents

	Group		Company	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Cash and cash equivalents	**36,197**	40,762	**35,888**	40,180
Solicitor client account (i)	**500**	–	**500**	–
	36,697	40,762	**36,388**	40,180

(i) Solicitor client account at 31 December 2019 represents monies held on behalf of the Company by David M. Turner & Company Solicitors.

21. Trade and other payables

	Group		Company	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Current				
Trade payables	**1,608**	4,555	**329**	1,365
Amounts owed to Group undertakings (i)	**–**	–	**2,401**	11,506
PAYE / PRSI	**215**	228	**116**	125
Other creditors	**158**	970	**71**	962
Accruals	**3,092**	2,475	**1,344**	1,810
Current portion of lease	**333**	–	**333**	–
	5,406	8,228	**4,594**	15,768

(i) Amounts owed to Group undertakings are interest free and repayable on demand (Note 31).

22. Derivative

	Group		Company	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Non-current				
Derivative	**128**	659	**128**	659
	128	659	**128**	659

During 2018, San Leon issued 2,222,222 options to LPL Finance Limited with an exercise price of £0.45 for a period of four years. The fair value of the warrants issued of US$171,000 (€149,000) has been calculated using the Black-Scholes model. The warrants were issued in connection with financing provided to the Company.

22. Derivative continued

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	Option strike price of £0.30 to £0.60 (2018: £0.30 to £0.60)	The estimated fair value would increase / (decrease) if:
	Average maturity of one to two years (2018: two to three years)	The share price increased / (decreased)
	Risk-free interest rate of 0.055% (2018: 0.1%)	Sterling exchange rate increased / (decreased)
	Share price volatility of 62% (2018: 70%)	The risk free interest rate increased / (decreased)

23. Loans and borrowings

Group and Company 2019	Opening US$'000	Cash inflows US$'000	Cash outflows US$'000	Non-cash US$'000	Closing US$'000
Changes in financing					
Borrowings – Current	–	–	–	–	–

Group and Company 2018	Opening US$'000	Cash inflows US$'000	Cash outflows US$'000	Non-cash US$'000	Closing US$'000
Changes in financing					
Borrowings – Current (Restated)	4,747	458	(5,227)	(22)	–

During 2018 the movement with regard to loans and borrowings is detailed below.

YA Global Masters SPV Limited
As at the end of 2017 San Leon owed YA Global Masters SPV Limited US$3.2 million in principal, interest, and fees.

Interest charged in 2018 was US$145,398.

In July 2018 the loan was repaid in full.

Ken Fetherston
In late 2017 the Company received a loan of US$1.2 million (€1.0 million) from Ken Fetherston with interest and a fee of US$295,053 (€261,178). This loan was fully repaid in January 2018.

Brandon Hill Capital Limited
In 2017, the Company received a number of loans from Brandon Hill Capital Limited totalling US$1.5 million (£1.1 million) inclusive of interest and foreign exchange movement. At 31 December 2017 the amount outstanding to Brandon Hill Capital Limited was US$212,732 (£153,177). This was repaid in January 2018.

In 2018, the Company advanced a short-term loan interest free to Brandon Hill Capital Limited of US$0.5 million (£0.4 million). This loan was offset against the loan arrangement fees below.

In 2018 the Company was notified of loan arrangement fees totalling US$1.4 million (£1.1 million) relating to finance received in 2016 and 2017 via one of Brandon Hill's clients, LPL Finance Limited. These amounts are included in Trade payables and were paid in 2019.

24. Provisions for liabilities

Group	Decommissioning US$'000	Dissenting Shareholders US$'000	Total US$'000
At 1 January 2018 (Restated)	1,741	48	1,789
Decrease in provision during the year	(485)	–	(485)
Paid during the year	(496)	(48)	(544)
At 31 December 2018 (Restated)	760	–	760
Currency translation adjustment	(2)	–	(2)
Paid during the year	(702)	–	(702)
At 31 December 2019	**56**	**–**	**56**
Current	**56**	**–**	**56**
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.

Dissenting shareholders

In 2018 the amount provided was fully paid in cash to the shareholders.

25. Share capital – Group and Company

Rights and obligations attaching to the Ordinary Shares

The Company has no securities in issue conferring special rights with regards control of the Company. All Ordinary Shares rank pari passu, and the rights attaching to the Ordinary Shares (including as to voting and transfer) are as set out in the Company's Articles of Association ("Articles").

	Number of New Ordinary shares €0.01 each	Number of Deferred Ordinary shares €0.0001 each	Authorised Equity US$'000
Authorised Equity			
At 1 January 2019	2,847,406,025	1,265,259,397,525	177,475
At 31 December 2019	**2,847,406,025**	**–**	**177,475**

25. Share capital – Group and Company continued

Issued, called up and fully paid:

	Number of New Ordinary shares €0.01 each	Number of Deferred Ordinary shares €0.0001 each	Share capital US$'000	Share premium US$'000
At 1 January 2018 and 1 January 2019 (Restated)	500,256,857	1,265,259,397,525	150,600	478,666
Issue of shares in lieu of salary (i)	5,590,270	–	63	2,036
Exercise of share options (ii)	250,000	–	3	96
Reduction of capital	–	(1,265,259,397,525)	(144,871)	(459,721)
Tender offer	(50,475,000)	–	(576)	–
Share buybacks	(4,319,113)	–	(47)	–
At 31 December 2019	**451,303,014**	**–**	**5,172**	**21,077**

* *See Consolidated and Company Statements of Changes in Equity on pages 54 to 57.*

(i) On 25 February 2019, 5,590,270 ordinary shares were issued to Oisín Fanning in lieu of 80% of his salary due to him for the period 1 September 2016 to 30 September 2018.

(ii) On 20 March 2019, the Company issued and allotted 250,000 New Ordinary Shares of €0.01 each in respect of options exercised. The options were exercised at a price of £0.30 (US$0.39) per share.

Reduction of capital

On 8 February 2019, the Company obtained local statutory approval to cancel all the Deferred Shares of €0.0001 each, this resulted in the release of Share Capital of US$144.9 million, Share Premium of US$459.7 million, a required Special Reserve of US$5.0 million and an increase in retained earnings of US$599.0 million.

Tender offer

On 22 March 2019 the Company announced the result of the Tender Offer, being an offer by the Company to purchase shares from shareholders at 46p per share set out in the shareholder circular published by the Company on 20 February 2019 (the "Circular").

The maximum number of Ordinary Shares authorised by shareholders under the Tender Offer, being 50,475,000 Ordinary Shares, was acquired for a total cost of US$30.5 million. This represented approximately 9.97% of the issued ordinary share capital of the Company, at the date of the announcement.

The Tender Offer was oversubscribed, with a total of 81,177,508 Ordinary Shares validly tendered by Qualifying Shareholders. Qualifying Shareholders who tendered Ordinary Shares equal to or less than their Individual Basic Entitlement had their tender accepted in full. Qualifying Shareholders who validly tendered in excess of their Individual Basic Entitlement had their tender accepted in respect of their Individual Basic Entitlement (being approximately 9.97% of their shareholding) plus approximately 50.23% of the number of Ordinary Shares in excess of their Individual Basic Entitlement that they validly tendered.

All proceeds payable under the Tender Offer to the Company's shareholders were transferred to Computershare on 23 March 2019 for distribution to the shareholders.

As set out in the Circular, the Ordinary Shares were purchased by Cantor Fitzgerald Europe pursuant to the Tender Offer and the Company purchased such Ordinary Shares from Cantor Fitzgerald Europe under the terms of the Repurchase Agreement described in the Circular.

The Company cancelled the Ordinary Shares purchased by it under the Repurchase Agreement, reducing the number of Ordinary Shares in issue from 506,097,127 Ordinary Shares to 455,622,127 Ordinary Shares (the "Cancellation").

25. Share capital – Group and Company continued

Share Buyback Programme

On 18 October 2019 the Company announced that, pursuant to the shareholder resolutions passed on 27 September 2019 at the Annual General Meeting, it planned to acquire ordinary shares of EUR 0.01 nominal value each ("Ordinary Shares"), up to a total value of US$ 2.0 million (the "Buyback Programme"). In accordance with the shareholder resolutions, the Company is proposed to acquire the Ordinary Shares at a maximum price of the greater of (i) 105% of the average market price of such shares for the previous five days and (ii) the higher of the price quoted for the last independent trade and the highest current independent bid or offer for such shares.

Ordinary Shares acquired as a result of the Buyback Programme were cancelled. The Buyback Programme was funded from the Company's cash balances.

At 31 December 2019 Company had repurchased 4,319,113 Ordinary Shares at an aggregate value of US$1.5 million. Following cancellation of the shares repurchased to 31 December 2019, the total number of Ordinary Shares in issue with voting rights was 451,303,014.

On 22 January the Company announced that it had completed the Buyback Programme. Under the Buyback Programme, the Company repurchased 5,709,101 Ordinary Shares at an aggregate value of £1,570,085.49. Following cancellation of the final shares repurchased, the total number of Ordinary Shares in issue with voting rights was 449,913,026.

26. Reserves

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

Currency translation reserve

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

The recycling of the currency translation reserve of US$13.9 million (2018: US$13.6 million) relates to the realisation of the cumulative foreign currency losses on the disposal or liquidation 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 change in the fair value of financial assets measured at Fair Value through Other Comprehensive Income until the assets are derecognised.

Special reserve

Pursuant to the capital reduction, in Note 25, the Company undertook to credit US$5,024,260 to a special reserve. This special reserve is not a distributable reserve and must remain in place until such time as obligations in respect of certain guarantees given by the Company have lapsed or become unenforceable.

27. Share-based payments

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

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

27. Share-based payments continued

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 US$1,068,601 (2018: US$1,275,177) includes the charge for options issued to the Directors of US$607,635 (2018: US$193,918) and shares to be issued to Directors of US$Nil (2018: US$755,700).

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

	2019		2018	
	Number of options / warrants	**Weighted average exercise price**	Number of options / warrants	Weighted average exercise price
Balance at beginning of the financial year	**39,035,025**	**£0.620**	36,415,933	£0.767
Granted during the financial year	**2,000,000**	**£0.450**	5,222,222	£0.450
Modified during the financial year	**–**	**£0.450**	–	–
Expired or cancelled during the financial year	**(225,950)**	**£9.337**	(2,603,130)	£3.730
Exercised during the financial year	**(250,000)**	**£0.300**	–	–
Balance at end of the financial year	**40,559,075**	**£0.400**	39,035,025	£0.620
Exercisable at end of the financial year	**40,559,075**	**£0.400**	39,035,025	£0.620

The range of exercise prices of outstanding options/warrants at year end is £0.25 to £0.60 (2018: £0.25 to £25.00).

In March 2019 the Company repriced all outstanding options with an exercise price above £0.45 to £0.45.

The weighted average remaining contractual life for options / warrants outstanding at 31 December 2019 is 3.53 years (2018: 3.41 years).

During the current year 250,000 options at £0.25 were exercised (2018: Nil).

The following table illustrates the number, exercise price and expiry date of share options and warrants remaining at year end.

Type	Number	Exercise price	Year of expiration
Options	10,240,372	£0.45	2020
Warrants	319,298	£0.60	2020
Options	10,000	£0.45	2021
Warrants	300,000	£0.30	2021
Warrants	750,000	£0.45	2021
Options	250,000	£0.45	2022
Options	10,625,000	£0.45	2023
Warrants	10,000,000	£0.25	2023
Warrants	4,939,405	£0.45	2023
Options	125,000	£0.45	2024
Options	1,000,000	£0.45	2025
Options	2,000,000	£0.45	2026
Total	**40,559,075**		

27. Share-based payments continued

The following table lists the fair value of options granted and the inputs to the models used to calculate the grant date fair values of awards granted in 2019 and 2018 and the repricing of the options in 2019:

	2019	2018
Weighted average fair value of options granted during year	**£0.20**	£0.45
Weighted average share price of options at date of grant	**£0.28**	£0.35
Dividend yield	**0%**	0%
Exercise price	**£0.45**	£0.45
Expected volatility	**48% – 90%**	70%
Risk-free interest rate	**0.55% – 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 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. There are no conditions attached to the options.

Option repricing

In March 2019 the Company repriced all outstanding options with an exercise price above £0.45 to £0.45.

28. Commitments and contingencies

(a) Operating leases

Cash commitments under operating leases (Note 30) are as follows:

Group	Total 2019 US$'000	Total 2018 US$'000 (Restated)
Payable:		
Within one year	**340**	381
Between one and five years	**1,348**	1,374
Over five years	**1,910**	2,290
	3,598	4,045

Company	Total 2019 US$'000	Total 2018 US$'000 (Restated)
Payable:		
Within one year	**337**	344
Between one and five years	**1,348**	1,374
Over five years	**1,910**	2,290
	3,595	4,008

28. Commitments and contingencies continued

(b) Exploration, evaluation and development activities

The Group has commitments of US$Nil (2018: US$Nil) in the year ended 31 December 2019 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

(c) Horizon Petroleum Ltd.

The Group has contingent consideration in aggregate of US$2.0 million in relation to the sale completed in August 2019 to Horizon Petroleum Ltd. outlined in Note 4.

29. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Financial assets – IFRS 9	**–**	–	**(73)**	(16,137)	**(73)**	(16,137)
Financial assets – other	**175**	111	**–**	–	**175**	111
Tax losses recognised	**1,616**	3,622	**–**	–	**1,616**	3,622
	1,791	3,733	**(73)**	(16,137)	**1,718**	(12,404)

	2019 US$'000	2018 US$'000 (Restated)
At 1 January	**(12,404)**	(8,630)
Expense for the year recognised in the Income Statement (Note 10)	**(2,006)**	(3,121)
Deferred tax on fair value movements in financial assets IFRS 9, Barryroe NPI (Note 10)	**16,064**	(764)
Deferred tax on fair value of other financial assets, Quoted shares	**64**	111
At 31 December	**1,718**	(12,404)

Company	Assets		Liabilities		Net	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Financial assets – net profit Interest	**–**	–	**(73)**	(16,137)	**(73)**	(16,137)
Financial assets – other	**175**	111	**–**	–	**175**	111
Tax losses recognised	**1,589**	3,590	**–**	–	**1,589**	3,590
	1,764	3,701	**(73)**	(16,137)	**1,691**	(12,436)

29. Deferred tax continued

Unrecognised deferred tax assets

Group	2019 US$'000	2018 US$'000 (Restated)
Tax losses	**15,031**	14,754
Capitalised expenditure	**32,764**	32,764
	47,795	47,518

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.

30. Leases

A new accounting standard, IFRS 16 leases, was adopted with effect from 1 January 2019. The standard requires leases which were previously treated as operating leases to be recognised as a lease liability with the associated asset capitalised and treated as a right of use asset. On 1 January 2019 US$3.1 million of leases were recognised as liabilities on adoption of the standard and US$3.1 million capitalised as right of use assets. In 2019 depreciation on the right of use assets was US$0.3 million, operating lease rentals decreased by US$0.3 million and a currency translation adjustment decreased by US$0.02 million leading to an increase in operating profit of US$0.03 million. The interest charge on the associated leases was US$0.1 million and the aggregate impact of IFRS 16 on profit before tax was a decrease of US$0.1 million. Lease payments in the year of US$0.3 million comprised principal of US$0.2 million and interest of US$0.1 million.

Amounts recognised in the Statement of Financial Position

Group & Company	2019 US$'000
Right of use asset (included within Property, plant and equipment)	
Property leases	
At 1 January 2019	**3,050**
Additions	**231**
Depreciation charge for the period	**(329)**
Closing net carrying amount	**2,952**
Lease liability	
Property leases	
At 1 January 2019	**3,050**
Payments – principal	**(192)**
Payments – interest	**(144)**
Currency translation adjustment	**(24)**
Interest	**144**
Closing net carrying amount	**2,834**
Current	**333**
Non-current	**2,501**

30. Leases continued

Amounts recognised in the Income Statement

Group & Company	2019 US$'000
Right of use asset (Property leases included within Property, plant and equipment)	
Property leases	
Depreciation charge	**329**
Interest expense	**144**
Expenses relating to low-value leases	**60**
Total	**533**

31. 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. 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 seven years and the option fee of US$381,000 is included in other receivables (Note 19) and is refundable when the Company either exercises or terminates the option. Mr. Fanning was paid US$221,195 (2018: US$198,000) rent for the use of this property by the Company. The property is being provided at a competitive rate and it is an arm's length transaction.

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 with Mr. Fanning is set out below:

	US$'000
At 1 January 2019	727
Repayments by the Director during the year	(727)
Interest on loan	1
Exchange rate adjustment	(1)
At 31 December 2019	**–**

At 31 December 2019 the loan was fully repaid to the Company.

In 2018, Oisín Fanning was paid US$1,987,000 in respect of personal loan guarantees provided by him in 2017, on behalf of the Company.

On 25 February 2019, Oisín Fanning was issued 5,590,270 ordinary shares in lieu of 80% of his salary for the period 1 September 2016 to 30 September 2018.

31. Related party transactions continued

Director change in Shareholding

On 11 May 2020 the Company was notified that Oisín Fanning, Chief Executive Officer of the Company, acquired 98,000,000 ordinary shares in the Company. Following the purchase, Oisín Fanning has an interest of 107,495,864 ordinary shares, representing 23.89% of the issued share capital of the Company.

Discovery Energy Limited

The Company and Discovery Energy Limited had a common Director, Ewen Ainsworth. Discovery Energy Limited was paid US$20,000 for amounts due for 2019 (2018: US$28,000) and disclosed as a pension payment. Ewen Ainsworth is the sole Director and shareholder of Discovery Energy Limited. This company is no longer being used.

Greenbay Energy Resources Limited

San Leon Energy plc and Greenbay Energy Limited have a common Director, Mutiu Sunmonu. San Leon has a consultancy agreement with Greenbay Energy Limited which was paid US$90,098 for amounts due for 2019 (2018: US$93,000). Please see the Director's emolument table on page 27 which includes the amount paid to Greenbay Energy Limited.

In June 2019, San Leon Energy plc entered into an agreement with Caledonian Properties Nigeria Limited ("Caledonian"), a company owned by Mutiu Sunmonu, for the use of two properties in Lagos, Nigeria, in their entirety for two years from 1 July 2019. Caledonian was paid US$220,000 for the period 1 July 2019 to 30 June 2021 and is included in prepayments (Note 19). It is common practice to pay such sums up-front in Nigeria.

The properties are being provided at a competitive rate and it is an arm's length transaction.

One of the properties is used as an office and the other property is available for use by all staff and consultants requiring accommodation while conducting business on behalf of the Company.

Linda Beal Consulting LLP

In 2018 Linda Beal Consulting LLP provided consultancy services to San Leon Energy plc. and was paid US$47,000 for these services. There were no services provided in 2019.

Brandon Hill Capital Limited

Brandon Hill Capital Limited is a shareholder in the Company.

At 31 December 2017 there was a loan amount outstanding to Brandon Hill Capital Limited of US$213,000. This was repaid in January 2018.

In 2018, the Company advanced a short-term loan to Brandon Hill Capital Limited of US$472,000. This loan was offset against the loan arrangement fees below.

In 2018 the Company was notified of loan arrangement fees totalling US$1,386,000 relating to finance received in 2016 and 2017 via one of Brandon Hill's clients, LPL Finance Limited. These amounts are included in Trade payables at 31 December 2018 and were paid in 2019.

In 2019, Brandon Hill Capital Limited is no longer considered to be a related party as they are no longer a significant shareholder.

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.

31. Related party transactions continued

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 was due to receive a further US$3.6 million, including an extension fee plus any further accrued interest on or before 1 September 2018. The Company had not received the US$3.6 million by 31 December 2018 and, provided for expected credit losses of US$3.4 million and reversed accrued interest receivable in 2018 of US$0.2 million. As at 31 December 2019 this position has not changed.

Toscafund 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 OML 18.

On 11 May 2020 the Company was informed that funds managed by Tosca Asset Management LLP had sold 98,000,000 ordinary shares in the Company on 7 May 2020. On completion of the sale funds managed by Tosca Asset Management LLP held 228,771,927 ordinary shares, representing 50.85% of the issued share capital of the Company.

OML 18

In September 2016, the Company secured an indirect economic interest in Oil Mining Lease 18 ("OML 18"), onshore Nigeria.

The Company undertook a number of steps to effect this purchase. 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, a company incorporated in Nigeria.

Martwestern holds a 50% shareholding in Eroton, a company incorporated in Nigeria and the operator of OML 18, and it also holds an initial 98% economic interest in Eroton. To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed US$174.5 million in incremental amounts by issuing Loan Notes with a coupon of 17% ("Loan Notes"). Midwestern is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL and the holder of an indirect economic interest in OML 18. 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 take priority over any dividend payments made to the MLPL shareholders. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18. Shareholders will note this is higher than the percentage interest anticipated by San Leon at the time of the acquisition. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18 which has resulted in Martwestern's economic interest in Eroton now standing at 98%.

To date, San Leon has received aggregate payments under the Loan Notes totalling US$190.6 million. An expected credit loss of US$9.7 million was recognised on 1 January 2018 on adoption of IFRS9, and reduced to US$5.5 million at 31 December 2018. The expected credit loss was further reduced to US$2.0 million at 31 December 2019.

To make payment of principal and interest due under the Loan Notes, MLPL 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 with Eroton, Martwestern and Midwestern with regard to the Loan Notes, as more fully described below, in the event that MLPL is not in a position to pay the Loan Notes from dividends received.

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.

31. Related party transactions continued

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.

While San Leon is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, 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.

During 2018 San Leon entered into an agreement with Eroton for the provision of subsurface technical and management services with estimated consideration for the services of US$6.0 million until the end of 2021.

Further extensive details can be found on the Company's website which contains a copy of the Admission Document at: http://www.sanleonenergy.com/media/2491705/admission_document_2016.pdf

2017
As a consequence of MLPL not being in receipt of dividends in 2017, 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 US$39.6 million. All payments during 2017 were received by the due date and in accordance with the terms of the Loan Notes.

2018
During 2018 San Leon received total payments under the Loan Notes totalling US$66.2 million. MLPL also entered into loan agreements with third parties to enable it to make the repayments during 2018.

2019
During 2019 San Leon received total payments under the Loan Notes totalling US$43.2 million. MLPL used the loan agreements entered into in 2018 to continue to make the repayments during 2019.

Key management

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

	2019 US$'000	2018 US$'000 (Restated)
Salary and emoluments	**2,579**	1,780
Bonuses	**637**	862
Social welfare costs	**289**	242
Shares to be issued in lieu of salary	**–**	756
Fees and consulting services	**593**	803
Termination payments	**128**	213
Pension	**102**	96
Benefits	**33**	33
Share-based payment charge on repricing of options issued to Directors	**116**	–
Share-based payment expense	**492**	194
	4,969	4,979

31. Related party transactions continued

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 2019, the Company is owed US$103.2 million (2018: US$152.6 million) by its subsidiaries in respect of funds advanced to them and expenses discharged by the Company on their behalf. An impairment provision of US$100.1 million (2018: US$149.4 million) against these debts has been provided as at the year end. The credit-impaired balances relate to the funding of historical investments in subsidiaries to hold assets and businesses which have been abandoned or discontinued in prior periods and from which no economic value is expected. The expected credit loss on remaining loans to subsidiaries is not considered material. The Company owes US$2.4 million (2018: US$11.5 million) to subsidiaries in respect of funds received by and services provided to the Company.

	US$'000
Loss allowance at 31 December 2018 (Restated)	149,434
Expected credit losses released	(49,132)
Loss allowance at 31 December 2019	**100,302**

32. Financial instruments and financial risk management

The Group and Company's principal financial instruments comprise trade receivables, 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:

- Financial liabilities: Amortised costs – trade and other payables and loans as described in Note 21;
- Financial assets: Amortised cost – OML 18 as described in Note 17 and Trade and other receivables as described in Note 19;
- Financial assets: FVTPL – net profit interest as described in Note 17;
- Financial assets: FVOCI – equity instrument – unquoted investments and quoted investments as described in Note 17.

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

(a) Currency risk

The Group is exposed to foreign currency risk on transactions denominated in a currency other than the relevant functional currency of the entities of the Group which consist of US Dollars, Euro, Sterling, Polish Zloty, Moroccan Dirhams and Canadian Dollars. The US Dollar 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 2019 and 2018, the Group did not utilise either forward currency contracts or other derivatives to manage foreign currency risk.

32. Financial instruments and financial risk management continued

At 31 December 2019, the Group's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ US$'000	Denominated in EUR€ US$'000	Denominated in PLN US$'000	Denominated in CAD US$'000	Denominated in MAD US$'000
Trade and other receivables	585	350	52	–	–
Trade and other payables	(553)	(2,666)	(33)	(6)	(250)
Provisions	–	(56)	–	–	–
Cash and cash equivalents	481	95	264	–	1
Total 2019	**513**	**(2,277)**	**283**	**(6)**	**(249)**

At 31 December 2018, the Group's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ US$'000	Denominated in US$ US$'000	Denominated in PLN US$'000	Denominated in CAD US$'000	Denominated in MAD US$'000
Financial assets – OML 18	–	128,720	–	–	–
Financial assets – Barryroe 4.5% net profit interest	–	51,142	–	–	–
Trade and other receivables	1,456	–	483	–	–
Trade and other payables	(1,309)	(1,239)	(565)	(21)	(362)
Provisions	–	–	(702)	–	–
Cash and cash equivalents	1,911	38,050	379	–	1
Total 2018 (Restated)	2,058	216,673	(405)	(21)	(361)

At 31 December 2019, the Company's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ US$'000	Denominated in EUR€ US$'000	Denominated in PLN US$'000	Denominated in CAD US$'000	Denominated in MAD US$'000
Trade and other receivables	695	3,373	–	–	–
Trade and other payables	(369)	(3,125)	–	(6)	–
Cash and cash equivalents	471	86	–	–	1
Total 2019	**797**	**334**	**–**	**(6)**	**1**

At 31 December 2018, the Company's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ US$'000	Denominated in US$ US$'000	Denominated in PLN US$'000	Denominated in CAD US$'000	Denominated in MAD US$'000
Financial assets – OML 18	–	128,720	–	–	–
Financial assets – Barryroe 4.5% net profit interest	–	51,142	–	–	–
Trade and other receivables	1,451	–	–	–	–
Trade and other payables	(1,196)	(95)	–	–	–
Cash and cash equivalents	1,793	38,028	161	–	1
Total 2018 (Restated)	2,048	217,795	161	–	1

32. Financial instruments and financial risk management continued

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

	2019		2018	
	Average rate	Closing rate	Average rate	Closing rate
Sterling	**0.784092**	**0.757344**	0.749145	0.781249
Euro	**0.893276**	**0.890155**	0.846773	0.873362
Polish Zloty	**3.838961**	**3.789211**	3.642308	3.756681
Canadian Dollars	**1.326942**	**1.299448**	1.295024	1.362882
Moroccan Dirhams	**9.564350**	**9.534350**	9.542323	9.542323

Sensitivity analysis

If the US Dollar increased by 1% in value against the above currencies, the Group's loss for the year would decrease and equity at year end would increase by US$23,734. If the US Dollar decreased 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 US$23,971.

If the US Dollar increased by 1% in value against the above currencies, the Company's profit for the year would decrease and equity at year end would decrease by US$1,859. If the US Dollar decreased by 1% in value against the above currencies, the Company's profit for the year would increase and equity at year end would increase by US$1,877.

(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 OML 18.

The maximum financial exposure due to credit risk on the Group's financial assets not subject to impairment of IFRS 9, representing the sum of cash and cash equivalents, trade and other receivables and other current assets, as at 31 December 2019 was US$40.9 million (2018: US$43.4 million).

Trade and other receivables

Within trade and other receivables there is no significant exposure to credit risk. 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 2019 are explained in Note 19 and management believes that the existing sums are still collectable.

OML 18

The OML 18 transaction comprised the US$174.5 million Loan Notes as detailed in Note 17. The credit risk is managed via various undertakings, guarantees, a pledge over shares and the mechanism whereby MLPL prioritises payment of sums due under the Loan Notes. 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. To date Eroton have been unable to make a dividend distribution. 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.

The credit risk associated with the MLPL Loan Notes is not regarded as low and despite quarterly payments being largely received to date, however not always on time, and given other considerations, this has led the Company to determine that providing for a loss over the lifetime of the loan is appropriate. Establishing an expected credit loss over the lifetime of the loan for a single receivable requires significant judgement, as there is limited relevant historical data in the Company, and no obvious reliable market data to benchmark. The factors that were considered in coming to the conclusion of a lifetime expected credit loss provision are explained as follows.

The credit risk of the instrument needs to be evaluated without consideration of collateral. Financial instruments are not considered to have low credit risk because that risk is mitigated by collateral.

32. Financial instruments and financial risk management continued

MLPL is not considered to be in financial difficulty and is expected to repay all interest and principal due under the loan agreement. The increase in credit risk identified does not change the prevailing expectation that the loan will be recovered in full.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss and, although this has been assessed as having increased significantly since initial recognition, it is not considered to have increased during the year ended 31 December 2019.

As the asset is not credit-impaired, the lifetime expected credit loss is recorded as a separate provision on the Statement of Financial Position and remeasured at each reporting date. The MLPL loan asset will continue to be held using the effective interest rate method.

The consideration of expected credit losses for this asset is set out in Note 17.

The Directors have considered the impact of Covid-19 on the Loan Notes and associated credit risk, which is tied to the performance of the OML 18 asset. The field operations of OML 18 will necessarily be slowed by the taking of customary health precautions, but as with most oil operations around the world, the Company are advised by Eroton that operations are continuing on a reasonable basis. The impact of the current low oil price will likely result in the deferral of some operational and capital expenditure, as is prudent to preserve working capital by Eroton. That is expected to delay some production increases from drilling. Eroton's income will also be affected by the lower oil price itself, although that is buffered to some extent by the deferral of costs mentioned. The overall effect is likely to be some modest delay in receiving distributions from Eroton via MLPL. The Directors do not expect a material effect on the risk profile of the Loan Notes.

In the opinion of the Directors there is no difference between the carrying amount of the MLPL loan and its fair value.

Cash and cash equivalents

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:

	Group		Company	
	2019 US$'000	2018 US$'000 (Restated)	**2019 US$'000**	2018 US$'000 (Restated)
Euro	**95**	421	**86**	198
Sterling	**481**	1,911	**471**	1,793
US Dollar	**35,856**	38,050	**35,830**	38,027
Polish Zloty	**264**	379	**–**	161
Moroccan Dirhams	**1**	1	**1**	1
	36,697	40,762	**36,388**	40,180

(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 on demand. All trade and other receivables and trade and other payables are due within one month.

32. Financial instruments and financial risk management continued

The financial liabilities at 31 December 2019 are as follows:

Group	Less than one year US$'000	One to two years US$'000	Two to five years US$'000	Greater than five years US$'000	Total US$'000
Trade and other payables, excluding leases (Note 21)	5,073	–	–	–	5,073
Operating leases (Note 28)	340	337	1,011	1,910	3,598
Derivative (Note 22)	57	71	–	–	128
	5,470	**408**	**1,011**	**1,910**	**8,799**

Company	Less than one year US$'000	One to two years US$'000	Two to five years US$'000	Greater than five years US$'000	Total US$'000
Trade and other payables, excluding lease (Note 21)	4,261	–	–	–	4,261
Operating leases (Note 28)	337	337	1,011	1,910	3,595
Derivative (Note 22)	57	71	–	–	128
	4,655	**408**	**1,011**	**1,910**	**7,984**

The financial liabilities at 31 December 2018 (Restated) are as follows:

Group	Less than one year US$'000	One to two years US$'000	Two to five years US$'000	Greater than five years US$'000	Total US$'000
Trade and other payables (Note 21)	8,228	–	–	–	8,228
Derivative (Note 22)	–	102	557	–	659
	8,228	102	557	–	8,887

Company	Less than one year US$'000	One to two years US$'000	Two to five years US$'000	Greater than five years US$'000	Total US$'000
Trade and other payables (Note 21)	15,768	–	–	–	15,768
Derivative (Note 22)	–	102	557	–	659
	15,768	102	557	–	16,427

The contractual cash flows are equal to the carrying value for trade and other payables. Contractual cash flows from operating leases once discounted at the incremental borrowing rate (Note 30) will then equate the carrying value.

The impact of the Covid-19 pandemic and certain geopolitical issues, have led to a sharp fall and continued volatility in the oil price. This is not expected to have a significant impact on liquidity risk as San Leon is in a strong financial position with cash on hand, after the payment of the special dividend in May 2020, of US$33.0 million. In addition, the impact on our indirect interest in OML 18 or upon the Loan Notes is expected to be minimal due to Eroton taking necessary steps to defer some operational and capital expenditure and managing working capital.

(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 contractual interest and as a consequence there is no interest rate exposure.

32. 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. During the year the Company obtained local statutory approval to cancel all the Deferred Shares of €0.0001 each, resulting in the release of Share Capital of US$144.9 million, Share Premium of US$459.7 million, a required Special Reserve of US$5.0 million and an increase in retained earnings of US$599.0 million. This enabled the Company to buyback shares to the value of US$31.5 million in the year. See Note 25 for further details. 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 2019 was as follows:

	2019 US$'000	2018 US$'000 (Restated)
Total Liabilities	8,091	22,051
Less: cash and cash equivalents	36,697	40,762
Adjusted net debt	**(28,606)**	(18,711)
Total equity	202,916	261,150
Adjusted net debt to equity ratio	**(0.14)**	(0.07)

(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 2019:

Group	Fair value 31 December 2019 US$'000	Carrying amount 31 December 2019 US$'000	Level 1 31 December 2019 US$'000	Level 2 31 December 2019 US$'000	Level 3^ 31 December 2019 US$'000
Financial assets					
OML 18# (Note 17)	111,323	112,252	–	–	112,252
Barryroe NPI (Note 17)	2,769	2,769	–	–	2,769
Unquoted shares (Note 17)	194	194	–	–	194
Trade receivables* (Note 19)	2	2	–	–	–
Cash and cash equivalents* (Note 20)	36,697	36,697	–	–	–
Other debtors* (Note 19)	710	710	–	–	–
Financial liabilities					
Trade payables* (Note 21)	(1,608)	(1,608)	–	–	–
Other creditors* (Note 21)	(158)	(158)	–	–	–
Derivative (Note 22)	(128)	(128)	–	–	(128)
At 31 December 2019	149,801	150,730	–	–	115,087

The credit risk of the OML 18 loan has been assessed as having significantly increased since initial recognition, affecting the underlying determination of the fair value. Therefore, the carrying amount arising from the application of the effective interest rate method is greater than the fair value.

* *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.*

32. Financial instruments and financial risk management continued

Company	Fair value 31 December 2019 US$'000	Carrying amount 31 December 2019 US$'000	Level 1 31 December 2019 US$'000	Level 2 31 December 2019 US$'000	Level 3^ 31 December 2019 US$'000
Financial assets					
OML 18# (Note 17)	**111,323**	**112,252**	–	–	**112,252**
Barryroe NPI (Note 17)	**2,769**	**2,769**	–	–	**2,769**
Cash and cash equivalents* (Note 20)	**36,388**	**36,388**	–	–	–
Other debtors* (Note 19)	**696**	**696**	–	–	–
Financial liabilities					
Trade payables* (Note 21)	**(329)**	**(329)**	–	–	–
Other creditors* (Note 21)	**(71)**	**(71)**	–	–	–
Derivative (Note 22)	**(128)**	**(128)**	–	–	**(128)**
At 31 December 2019	**150,648**	**151,577**	–	–	**114,893**

 # There has been no change to the assumptions underlying the determination of fair value of the OML 18 loan since initial recognition. Therefore, the carrying amount arising from the application of the effective interest rate method approximates to the fair value.

** 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 2019, 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.

The following table sets out the carrying value of all the financial assets and liabilities held at 31 December 2018:

Group	Fair value 31 December 2018 US$'000 (Restated)	Carrying amount 31 December 2018 US$'000 (Restated)	Level 1 31 December 2018 US$'000 (Restated)	Level 2 31 December 2018 US$'000 (Restated)	Level 3^ 31 December 2018 US$'000 (Restated)
Financial assets					
OML 18 (Note 17)	128,720	128,720	–	–	128,720
Barryroe NPI (Note 17)	51,142	51,142	–	–	51,142
Unquoted shares (Note 17)	2,625	2,625	–	–	2,625
Trade receivables* (Note 19)	38	38	–	–	–
Cash and cash equivalents* (Note 20)	40,762	40,762	–	–	–
Other debtors* (Note 19)	1,097	1,097	–	–	–
Financial liabilities					
Trade payables* (Note 21)	(4,555)	(4,555)	–	–	–
Other creditors* (Note 21)	(970)	(970)	–	–	–
Derivative (Note 22)	(658)	(658)	–	–	(658)
At 31 December 2018	218,201	218,201	–	–	181,829

** 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.

32. Financial instruments and financial risk management continued

Company	Fair value 31 December 2018 US$'000 (Restated)	Carrying amount 31 December 2018 US$'000 (Restated)	Level 1 31 December 2018 US$'000 (Restated)	Level 2 31 December 2018 US$'000 (Restated)	Level 3^ 31 December 2018 US$'000 (Restated)
Financial assets					
OML 18 (Note 17)	128,720	128,720	–	–	128,720
Barryroe NPI (Note 17)	51,142	51,142	–	–	51,142
Unquoted shares (Note 17)	2,625	2,625	–	–	2,625
Trade receivables* (Note 19)	16	16	–	–	–
Cash and cash equivalents* (Note 20)	40,180	40,180	–	–	–
Other debtors* (Note 19)	860	860	–	–	–
Financial liabilities					
Trade payables* (Note 21)	(1,365)	(1,365)	–	–	–
Other creditors* (Note 21)	(962)	(962)	–		
Derivative (Note 22)	(658)	(658)	–	–	(658)
At 31 December 2018	220,558	220,558	–	–	181,829

* *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 2018, 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 2019 and 31 December 2018, the Group and Company had no outstanding contracts designated as hedges.

33. Subsequent events

Share Buyback Programme

On 21 January 2020 the Company announced that it had completed the buyback programme initially announced on 18 October 2019 (the "Buyback Programme"). Under the Buyback Programme which commenced on 18 October 2019, the Company has repurchased 5,709,101 Ordinary Shares at an aggregate value of US$2,041,900. Following cancellation of the shares repurchased during the Programme, the total number of Ordinary Shares in issue with voting rights is 449,913,026.

MLPL Loan Note

The Company has received US$41.5 million in Loan Note repayments since 31 December 2019.

On 6 April 2020 the Company entered into an agreement amending the Loan Notes Instrument (the "Amendment") between San Leon and MLPL. Under the terms of the Amendment, the remaining balance payable is approximately US$82.1 million* at par value (accounted for as US$79.5 million under IFRS). A further US$10.0 million is scheduled to be paid to the Company on or before 6 October 2020, with the balance of the Loan Notes receivable payable in three quarterly instalments, commencing July 2021 and completing by December 2021. Due to the modification of the loan, it is expected that the amortised cost of the loan will change, however this is considered to be a non-substantial change.

The balance will continue to accrue a coupon rate of 17% per annum until repaid. All other material terms of the Loan Notes Instrument remain unchanged.

* *Refer to Alternate Performance Measures on page 121 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

33. Subsequent events continued

Appointment of new Director

On 7 April 2020, Adekolapo Ademola joined the Company as a Non-Independent, Non-Executive Director on behalf of Midwestern Oil and Gas Company Limited.

Special dividend

On 27 April 2020 the Company announced a special dividend of approximately US$33.0 million (£27.0 million), or 6 pence per ordinary share.

Related Party change in shareholding of Company

On 11 May 2020 the Company was informed that funds managed by Tosca Asset Management LLP had sold 98,000,000 ordinary shares in the Company on 7 May 2020. On completion of the sale funds managed by Tosca Asset Management LLP held 228,771,927 ordinary shares, representing 50.85% of the issued share capital of the Company.

On the same day, the Company was notified that Oisín Fanning, Chief Executive Officer of the Company, acquired 98,000,000 ordinary shares in the Company. Following the purchase, Oisín Fanning has an interest of 107,495,864 ordinary shares, representing 23.89% of the issued share capital of the Company.

Resignation of Director

On 18 May 2020, Bill Higgs stepped down from the Board as an Independent Non-Executive Director.

Covid-19

Subsequent to year end, the oil price has been significantly affected due to the combined effects of Covid-19 affecting demand, and quota disagreements within OPEC regarding how to deal with that reduction in demand, resulting in a period of excess supply. It is not currently possible to predict what the extent of this development is, or for how long it may exist. It is therefore not possible to quantify any potential financial impact.

34. Comparative amounts

Comparative amounts were regrouped, where necessary, on the same basis as in the current period.

35. Change in presentation currency

In restating the Group and Company financial statements for 2019, the reported information was converted to US Dollars from Euro using the following procedures:

- Assets and liabilities of operations with functional currencies other than US$ (including the Company for periods prior to 1 January 2019) are translated into US$ at closing rates of exchange. Trading results of such operations are translated into US$ at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the period have been presented in the currency translation reserve, a component within shareholders' equity.
- Share capital, share premium and other reserves are translated at the rate applicable on the date of the change being 1 January 2019.
- Cumulative currency translation adjustments are presented as if the Group had always used US$ as the presentation currency of its consolidated financial statements.

35. Change in presentation currency continued

Consolidated income statement

	2018 €'000	2018 US$'000
Continuing operations		
Revenue from contracts with customers	173	198
Cost of sales	(83)	(95)
Gross profit	90	103
Share of loss of equity accounted investments	(12,441)	(14,693)
Administrative expenses	(14,208)	(16,349)
(Loss) / profit on disposal of subsidiaries	379	(13,133)
Impairment / write off of exploration and evaluation assets	(2,685)	(3,074)
Decommissioning of wells	424	485
Expected credit losses	(3,085)	(3,532)
Loss from operating activities	(31,526)	(50,193)
Finance expense	(2,111)	(2,417)
Finance income	38,499	44,082
Expected credit losses	3,679	4,212
Fair value movements in financial assets	1,993	2,281
Profit / (loss) before income tax	10,534	(2,035)
Income tax	(3,299)	(3,777)
Profit / (loss) for the financial year	7,235	(5,812)
Profit / (loss) per share (cent) – total		
Basic profit / (loss) per share	1.43	(1.15)
Diluted profit / (loss) per share	1.43	(1.15)

Consolidated statement of other comprehensive income

	2018 €'000	2018 US$'000
Profit / (loss) for the year	7,235	(5,812)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences – subsidiaries	183	46
Currency translation differences – joint venture	2,241	–
Recycling of currency translation reserve on disposal of subsidiaries	(34)	13,567
Fair value movements in financial assets	104	119
Deferred tax on fair value movements in financial assets	(35)	(39)
Total other comprehensive income	2,459	13,693
Total comprehensive profit for the year	9,694	7,881

35. Change in presentation currency continued

Consolidated statement of financial position

	2018		2017	
	€'000	US$'000	€'000	US$'000
Assets				
Non-current assets				
Intangible assets	–	–	2,501	2,864
Equity accounted investments	48,096	55,070	58,296	69,763
Property, plant and equipment	1,715	1,964	2,398	2,745
Financial assets	109,062	124,876	117,901	134,998
Other non-current assets	180	206	180	206
	159,053	182,116	181,276	210,576
Current assets				
Inventory	237	272	282	323
Trade and other receivables	2,132	2,440	4,347	4,976
Financial assets	50,315	57,611	61,785	70,743
Cash and cash equivalents	35,600	40,762	8,131	9,311
	88,284	101,085	74,545	85,353
Total assets	247,337	283,201	255,821	295,929
Equity and liabilities				
Equity				
Called up share capital	131,529	150,600	131,529	150,600
Share premium account	418,049	478,666	418,049	478,666
Share-based payments reserve	13,079	14,977	16,152	18,496
Shares to be issued reserve	1,833	2,099	2,081	2,382
Currency translation reserve	(7,232)	14,177	(9,622)	(2,836)
Fair value reserve	69	80	110	(363)
Retained earnings	(329,249)	(399,449)	(332,958)	(385,710)
Total equity attributable to equity shareholders	228,078	261,150	225,341	261,235
Non-current liabilities				
Derivative	575	659	426	488
Deferred tax liabilities	10,834	12,404	7,538	8,630
	11,409	13,063	7,964	9,118
Current liabilities				
Trade and other payables	7,186	8,228	15,807	17,895
Loans and borrowings	–	–	4,146	4,747
Provisions	664	760	1,563	1,789
Liabilities classified as held for sale	–	–	1,000	1,145
	7,850	8,988	22,516	25,576
Total liabilities	19,259	22,051	30,480	34,694
Total equity and liabilities	247,337	283,201	255,821	295,929

35. Change in presentation currency continued

Company statement of financial position

	2018		2017	
	€'000	US$'000	€'000	US$'000
Assets				
Property, plant and equipment	40	46	–	–
Financial Assets	109,062	124,876	117,901	134,998
Financial assets – investment in subsidiaries	27,545	31,539	30,226	34,608
	136,647	156,461	148,127	169,606
Current assets				
Trade and other receivables	4,289	4,911	2,993	3,426
Financial assets	50,315	57,611	61,785	70,743
Cash and cash equivalents	35,092	40,180	7,816	8,950
	89,696	102,702	72,594	83,119
Total assets	226,343	259,163	220,721	252,725
Equity and liabilities				
Equity				
Called up share capital	131,529	150,600	131,529	150,600
Share premium account	418,049	478,666	418,049	478,666
Share-based payments reserve	13,079	14,977	16,152	18,496
Shares to be issued reserve	1,833	2,099	2,081	2,382
Fair value reserve	69	80	1,228	1,408
Retained earnings	(363,422)	(416,122)	(382,063)	(437,464)
Attributable to equity shareholders	201,137	230,300	186,976	214,088
Non-current liabilities				
Derivative	575	659	426	488
Deferred tax liabilities	10,861	12,436	7,572	8,670
	11,436	13,095	7,998	9,158
Current liabilities				
Trade and other payables	13,770	15,768	21,601	24,732
Loans and borrowings	–	–	4,146	4,747
	13,770	15,768	25,747	29,479
Total liabilities	25,206	28,863	33,745	38,637
Total equity and liabilities	226,343	259,163	220,721	252,725

35. Change in presentation currency continued

Consolidated statement of cash flows

	2018 €'000	2018 US$'000
Cash flows from operating activities		
Profit / (loss) for the year – continuing operations	7,235	(5,812)
Adjustments for:		
Depletion and depreciation	742	850
Finance expense	2,111	2,417
Finance income	(38,499)	(44,082)
Share-based payments charge	1,114	1,275
Foreign exchange	(547)	(552)
Income tax	3,299	3,777
Impairment of exploration and evaluation assets – continuing operations	2,685	3,074
Expected credit losses	(594)	(680)
Profit / (loss) on disposal of subsidiaries	(384)	13,133
Decommissioning costs	(424)	(485)
Decommissioning payments	(433)	(496)
Fair value movements in financial assets	(1,993)	(2,281)
Decrease / (increase) in inventory	44	50
Decrease / (increase) in trade and other receivables	(115)	(132)
Increase / (decrease) in trade and other payables	(7,631)	(8,737)
Share of loss of equity-accounted investments	12,441	14,693
Tax paid	(47)	(54)
Net cash outflow from operating activities	(20,996)	(24,042)
Cash flows from investing activities		
Expenditure on exploration and evaluation assets	(184)	(210)
Purchase of property, plant and equipment	(66)	(75)
Loans advanced	400	458
Loans issued to Directors	(632)	(724)
Interest on Director's loan	2	2
Interest and investment income received	88	101
OML 18 Loan Notes payments received – principal	27,574	31,572
OML 18 Loan Notes payments received – interest	28,849	33,032
Net cash inflow from investing activities	56,031	64,156
Cash flows from financing activities		
Repayment of other loans	(4,565)	(5,227)
Dissenting shareholder payment	(42)	(48)
Loans repaid to Directors	(1,669)	(1,911)
Interest and arrangement fees paid	(1,963)	(2,248)
Net cash (outflow) / inflow from financing activities	(8,239)	(9,434)
Net increase in cash and cash equivalents	26,796	30,680
Effect of foreign exchange fluctuation on cash and cash equivalents	673	771
Cash and cash equivalents at start of year	8,131	9,311
Cash and cash equivalents at end of year	35,600	40,762

35. Change in presentation currency continued

Company statement of cash flows

	2018 €'000	2018 US$'000
Cash flows from operating activities		
Profit for the year	21,046	24,098
Adjustments for:		
Depletion and depreciation	1	1
Finance income	(38,499)	(44,082)
Finance expense	2,107	2,413
Share-based payments charge	454	520
Impairment of investment in subsidiaries and amounts due from Group undertakings	5,400	6,183
Fair value movements in financial assets	(1,993)	(2,281)
Expected credit losses	(3,679)	(4,212)
Foreign exchange	(631)	(724)
Income tax	3,233	3,702
Increase in trade and other receivables	(107)	(123)
Increase / (decrease) in trade and other payables	(3,883)	(4,446)
Tax (paid) / received	(36)	(41)
Net cash outflow from operating activities	(16,587)	(18,992)
Cash flows from investing activities		
Advances to subsidiary companies	(4,836)	(5,537)
OML 18 Loan Notes payments received – principal	27,574	31,572
OML 18 Loan Notes payments received – interest	28,849	33,032
Loans advanced	400	458
Loans issued to Directors	(632)	(724)
Interest on Director's loan	2	2
Interest and investment income received	88	101
Purchase of property, plant and equipment	(41)	(47)
Net cash inflow from investing activities	51,404	58,857
Cash flows from financing activities		
Repayment of other loans	(4,565)	(5,227)
Loans repaid to Directors	(1,669)	(1,911)
Interest and arrangement fees paid	(1,959)	(2,243)
Net cash outflow from financing activities	(8,193)	(9,381)
Net increase in cash and cash equivalents	26,624	30,484
Effect of foreign exchange fluctuation on cash and cash equivalents	652	746
Cash and cash equivalents at start of year	7,816	8,950
Cash and cash equivalents at end of year	35,092	40,180

36. Approval of financial statements

The Financial Statements were approved by the Board on 24 June 2020.

Alternative performance measures

The Group monitors the par value of the Loan Notes, which is a non-IFRS measure.

The Group believes that the disclosure of the par value of the Loan Notes will assist investors in evaluating the performance of the underlying Loan Notes. Given that these cash metrics are used by management, they also give the investor an insight into how the Group management review and monitor the Loan Notes on an ongoing basis.

A reconciliation from the value of the Loan Notes under IFRS 9 and the par value is provided below:

	IFRS 9 Amortised Cost US$'000	IFRS 9 Adjustment US$'000*	Par value US$'000
Loan Notes at 31 December 2019	114,254	4,494	118,748^
Interest accrued on Loan Notes (1 January 2020 to 6 April 2020)	6,783	(1,886)	4,897
Cash receipts (1 January 2020 to 6 April 2020)	(41,500)	–	(41,500)
Loan Notes at 6 April 2020	**79,537**		**82,145**

* *The effective interest rate is 25% and the coupon rate is 17% (Note 17).*

^ *Made up of capital balance of US$108.4 million and accrued interest of US$10.3 million.*

Corporate information

Directors

Mutiu Sunmonu *(Non-Executive Chairman)*

Oisín Fanning *(Chief Executive Officer)*

Joel Price *(Chief Operating Officer)*

Alan Campbell *(Commercial and Business Development Director)*

Lisa Mitchell *(Chief Financial Officer) appointed 30 June 2019*

Ewen Ainsworth *(Finance Director) resigned 30 June 2019*

Mark Phillips *(Non-Executive Director)*

Linda Beal *(Non-Executive Director)*

Bill Higgs *(Non-Executive Director) resigned 18 May 2020*

Adekolapo Ademola *(Non-Executive Director) appointed 7 April 2020*

Registered Office

2 Shelbourne Buildings
Crampton Avenue
Shelbourne Road
Ballsbridge
Dublin 4

Secretary

Raymond King
(resigned 17 January 2019)

Alan Campbell
(appointed 17 January 2019)

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

Barclays Bank plc
Leicester
Leicestershire LE87 2BB
United Kingdom

Solicitors

Whitney Moore Solicitors
2 Shelbourne Buildings
Crampton Avenue
Shelbourne Road
Ballsbridge
Dublin 4

David M Turner & Co Solicitors
32 Lower Abbey Street
Dublin 1

Fieldfisher LLP
2 Swan Lane
London EC4R 3TT

Fladgate LLP
16 Great Queen Street
London WC2B 5DG

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
3100 Lake Drive
Citywest Business Campus
Dublin 24

Public Relations

Tavistock
1 Cornhill
London EC3V 3ND

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
US$'000	United States Dollars, 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
Midwestern	Midwestern Oil and Gas Company 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 Corporation
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

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

Designed and produced by **FourthQuarter®**

San Leon Energy plc

Head Office
3300 Lake Drive
Citywest Business Campus
Dublin 24
Ireland

Registered address
2 Shelbourne Buildings
Crampton Avenue
Shelbourne Road
Ballsbridge
Dublin 4
Ireland

sanleonenergy.com