SAN LEON ENERGY

An independent oil and gas company

Annual Report 2020

Corporate statement

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% initial indirect economic interest in Oil Mining Lease 18 ("OML 18"), a producing asset located onshore Nigeria; and during 2020 acquired a 10% interest in Energy Link Infrastructure (Malta) Ltd ("ELI"). ELI's sole asset is the proposed new Alternative Crude Oil Evacuation System ("ACOES") constructed to provide a dedicated oil export route from the OML 18 asset.

The Company is aiming to use its interest in 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.

Overview

Strategic report

Corporate governance

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Highlights

Corporate

- Completed the return of approximately US$33.8 million to shareholders during the first half of 2020 delivering on the Company's commitment to shareholder returns.
- The Company entered into an agreement dated 6 April 2020 amending the existing Loan Notes Instrument (the "Amendment") between San Leon and Midwestern Leon Petroleum Limited ("MLPL"). Under the terms of the Amendment, US$40.0 million was received immediately by San Leon.
- On 3 August 2020 the Company provided a US$10.0 million loan plus an additional US$5.0 million loan on 6 October 2020 and acquired a direct 10% interest in Energy Link Infrastructure (Malta) Ltd ("ELI"). ELI's sole asset is the proposed new Alternative Crude Oil Evacuation System ("ACOES") constructed to provide a dedicated oil export route (comprising a new pipeline together with a Floating Storage and Offloading ("FSO") vessel) from OML 18. Once commissioned, the system is expected, by Eroton, to reduce the downtime and allocated pipeline losses to below 10%.
- On 1 September 2020, the Company announced that it had conditionally agreed to invest US$7.5 million by way of a loan to Decklar Petroleum Limited ("Decklar"), which is the holder of a Risk Service Agreement ("RSA") with Millenium Oil and Gas Company Limited ("Millenium") on the Oza marginal field, carved out of OML 11, onshore Nigeria. Under the agreements, once completed, the Company will also receive a 15% interest in Decklar for a nominal amount paid. This transaction is still awaiting final conditions precedents to complete.
- Board appointment process previously announced completed with appointment of John Brown as Independent Non-Executive Director and Chair of the Audit and Risk Committee and Adekolapo Ademola as Non-Independent Non-Executive Director on behalf of Midwestern Oil & Gas Company Ltd. Non-Executive Directors, Mark Phillips, Bill Higgs and Linda Beal, left the Board during 2020 and Alan Campbell has since stepped off the Board in 2021 as part of a board restructure.

Financial

- Cash and cash equivalents as at 31 December 2020 of US$18.5 million (includes US$6.8 million restricted and held in escrow for the Oza transaction) (31 December 2019: US$36.7 million).
- Cash and cash equivalents as at 18 June 2021 were US$14.8 million (includes Oza escrow of US$6.8 million).
- In the past 18 months US$47.3 million, of which US$46.5 million relates to 2020 (31 December 2019: US$43.2 million) in principal and interest payments has been received under the MLPL Loan Notes.
- US$5.8 million has so far been paid of the US$10.0 million due under the MLPL Loan Notes in September 2020, leaving US$4.2 million still outstanding.
- A share repurchase programme of US$2.0 million of Company's shares was completed between October 2019 and January 2020.
- A special dividend of US$33.3 million was declared in May 2020, giving a dividend yield of approximately 30% as at the date of dividend announcement.

Operational

An update on OML 18 activity during 2020 is provided below:

- Oil delivered to the Bonny terminal for sales was approximately 21,100 barrels of oil per day ("bopd") in 2020 (32,000 bopd in 2019) and continues to be affected by combined losses and downtime of approximately 35%. The 2020 figure has also been affected by OPEC oil production quota restrictions, and some Covid-related delays. Together, the losses, downtime, OPEC restrictions and Covid-related delays have caused the majority of the difference between gross production when there is minimal disruption to production, and oil is received at Bonny terminal for sales.
- Gas sales averaged 32.7 million standard cubic feet per day ("mmscf/d") in 2020 after downtime (36.0 mmscf/d in 2019).
- Production downtime of 9% in 2020 was caused by third party terminal and gathering system issues. This relates to days when oil production was entirely shut down at OML 18. OPEC quota restrictions on production also had an adverse effect on production rates, however downtime and Covid-related delays have meant these quotas at times have not been met. Such issues in the third-party export system are expected to be substantially resolved by the implementation of the new ACOES for the purpose of transporting, storing and evacuating crude oil from OML 18 export Pipeline. The pipeline will run from within the OML 18 acreage to a dedicated FSO vessel in the open sea, approximately 50 kilometres offshore. Expected timing for the commencement of operations is H2 of 2021. See ELI update below.
- Pipeline losses by the Bonny Terminal operator have increased over the past year (31 December 2020: 28%; 31 December 2019: 22%), largely due to lower pipeline throughput as a result of OPEC quota restrictions. In the longer term, the ACOES is expected to reduce losses significantly.
- Eroton completed its three well drilling programme in early 2020, with the final completion and flow of these wells impacted by Covid-19. Lower oil prices for much of 2020 have led Eroton to improve capital discipline and the prudent deferral of the next drilling campaign, now expected to commence during 2022.
- Eroton has taken all appropriate precautions for its operations and people, with regards to Covid-19 and we understand has had no Covid-19 cases on OML 18.

ELI

- ELI has received approval from the President of Nigeria (acting in his capacity as Minister for Petroleum Resources) for the FSO, ELI Akaso, to be set up as an oil terminal.
- ELI is in advanced negotiations with other third party injectors for use of its pipeline and terminalling facilities.
- Construction of the pipeline continues to progress and hook up with ELI Akaso is expected to take place in the H2 2021.

Outlook 2021

- The commissioning of the ELI pipeline.
- Expected close out of Oza transaction.
- Continuing to position the Company for further transactions.

San Leon at a glance

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

Material Assets in Nigeria

10.58% Indirect Economic Interest in OML 18

The 2016 Competent Persons 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 opposite.

Contingent resources and considerable exploration potential also exist across this 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.

10% equity investment in Energy Link Infrastructure (Malta)

The Company also has a 10% equity interest in Energy Link Infrastructure (Malta) ("ELI") – a company which owns the ACOES project. The ACOES is being constructed to provide a dedicated oil export route from the OML 18 asset, comprising a new pipeline from OML 18 and a floating storage and offloading vessel ("FSO"). Once commissioned, the system is expected by Eroton to reduce the downtime and allocated pipeline losses currently associated with the Nembe Creek Trunk Line ("NCTL"), to below 10%. In addition, it is anticipated that the ACOES project will improve overall well uptime.

The Board believes that the ACOES will have a significant effect on the operation of OML 18, primarily through the reduction of downtime and losses associated with the existing export route. ELI, through its Nigerian subsidiary, will earn fees for transporting and storing crude oil from OML 18 and potential third parties. As a shareholder in ELI, San Leon stands to benefit from what the Board considers could be a very profitable operation in the medium to long term.

OML 18	Gross technical reserves before economic cut-off		
	1P	2P	3P
Oil + Condensate (mmstb^)	389	576	777
Gas (bscf*)	3,119	3,213	5,080

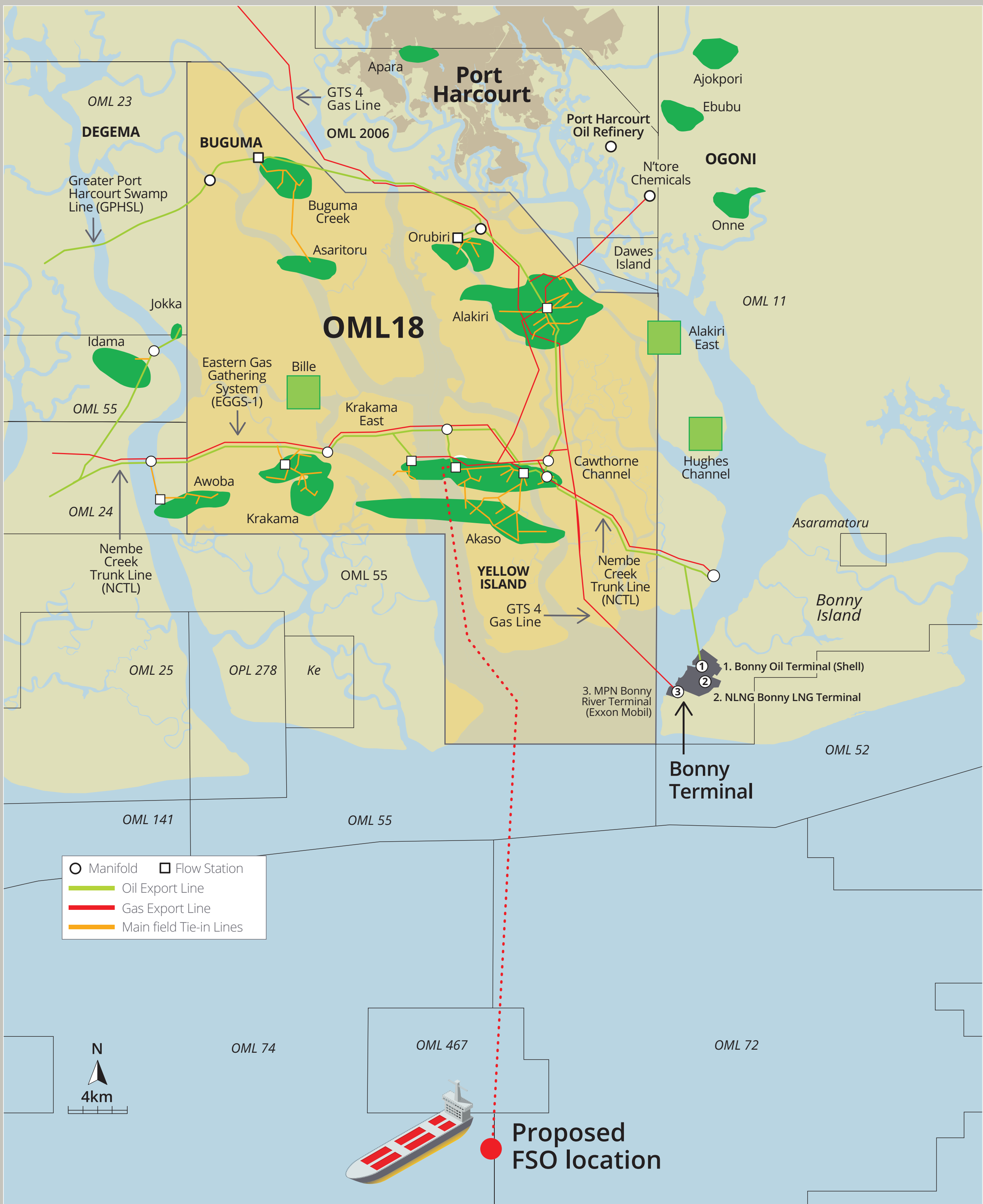
^ million stock tank barrels of oil. * billion standard cubic feet of gas.

Other assets

Ireland (Offshore) – Barryroe

San Leon holds a 4.5% Net Profit Interest ("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) announced during 2020 that it had farmed out Barryroe, pending certain conditions to be fulfilled. The Farmout Agreement was entered into with SpotOn Energy Limited, a Norwegian-based resources company, who have partnered with Schlumberger, Aker Solutions, AGR, Maersk Drilling, Keppel FELS, Aibel AS for the subsequent development of Barryroe. In April 2021, Providence has announced that it had terminated the farm-out agreement with SpotOn Energy for the Barryroe Licence and is progressing arrangements for an alternative funding package to finance 100% of the costs of the early development scheme ("EDS") for the Barryroe licence (SEL 1/11).

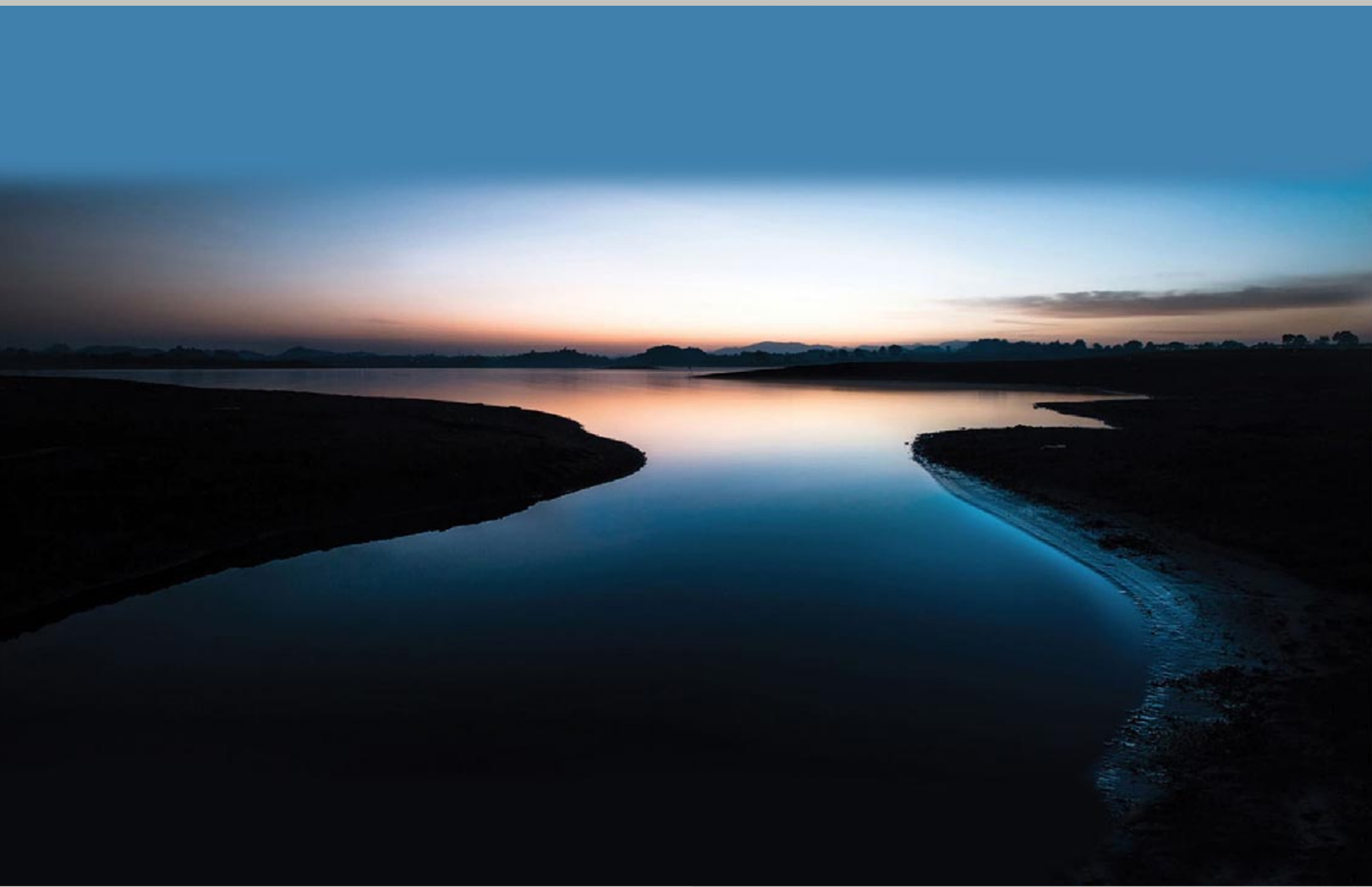
OML 18



OML 23
DEGEMA
Greater Port Harcourt Swamp Line (GPHSL)
BUGUMA
Apara
GTS 4 Gas Line
OML 2006
Port Harcourt
Port Harcourt Oil Refinery
Ajokpori
Ebubu
OGONI
N'tore Chemicals
Onne
Buguma Creek
Asaritoru
Orubiri
Dawes Island
OML 11
Jokka
Idama
OML18
Alakiri
Alakiri East
Eastern Gas Gathering System (EGGS-1)
Bille
Krakama East
OML 55
Hughes Channel
Cawthorne Channel
Awoba
Krakama
Akaso
OML 24
Asaramatoru
Nembe Creek Trunk Line (NCTL)
OML 55
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
Manifold
Flow Station
Oil Export Line
Gas Export Line
Main field Tie-in Lines
N
4km
OML 74
OML 467
OML 72
Proposed FSO location

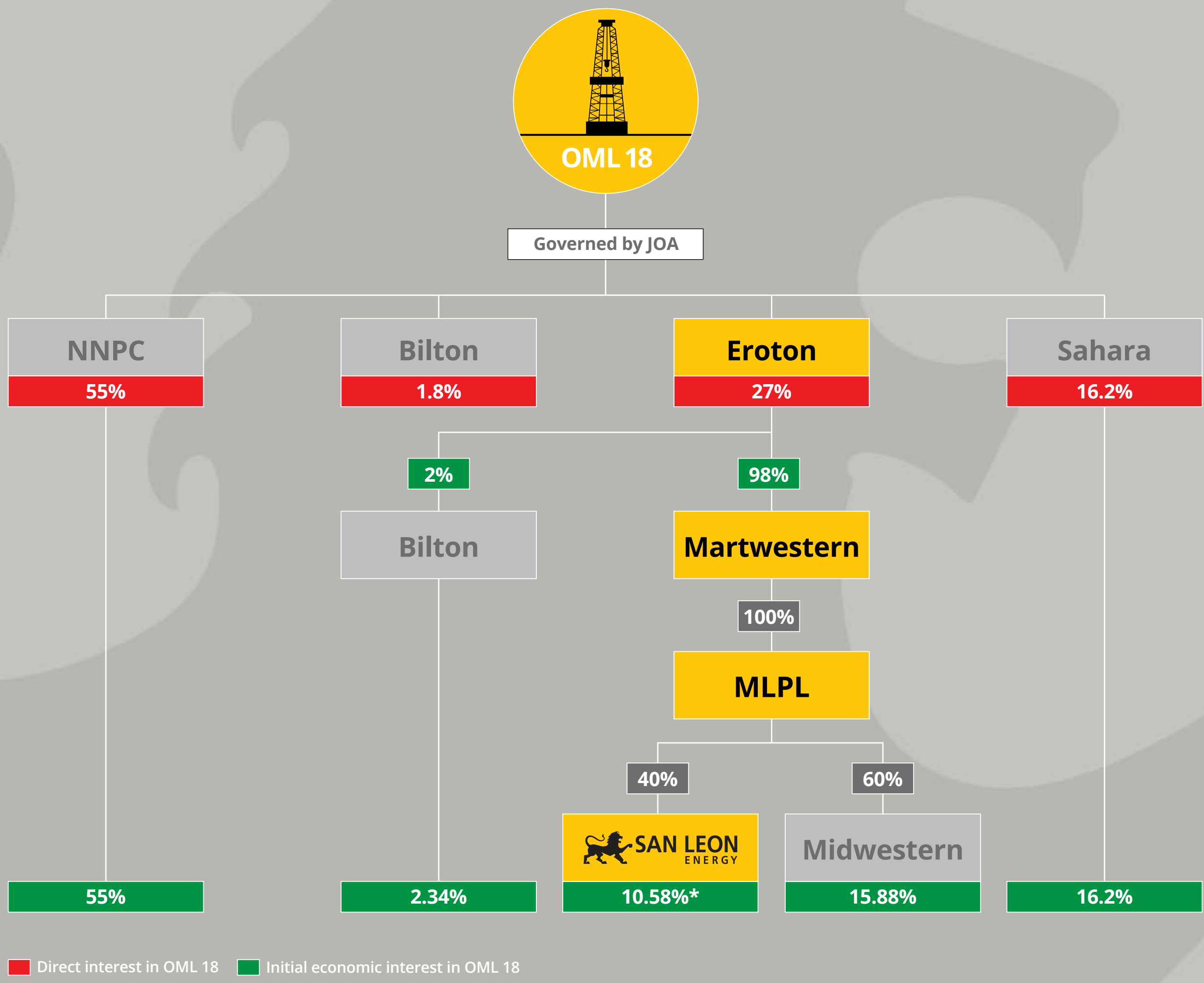
Our strategy

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.

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 & 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 has a 50% shareholding in 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 a typical rate of ~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

As we went into 2020, there had been significant turmoil in the financial markets due to the impact of the Covid-19 pandemic. This, along with certain geopolitical issues, had also led to a sharp fall and continued volatility in the oil price, which continued for much of 2020.

During this sustained period of reduced demand, San Leon continued to deliver further shareholder returns. An additional US$46.5 million was received in cash from the loan notes mechanism relating to its OML 18 investment during the year, which enabled us to announce the inaugural special dividend of US$33.3 million in April 2020.

On receipt of US$40.0 million in Loan Note repayments (principal and interest) in April 2020, the Company amended the terms of the Loan Notes, extending the term out to December 2021. The Company anticipates the remaining outstanding balance at 31 December 2020 of US$84.2 million, including interest, to be repaid, however given the issues around Covid-19, volatility in the oil price and demand as well as short term production issues at the asset level, the Company is not confident of repayments being received on time. This has resulted in a credit impairment of the Loan Notes due to uncertainty in timing of these repayments.

The Company's financial position enabled it to take advantage of potential value-adding opportunities, and I am pleased to report that San Leon did so during the second half of 2020, acquiring an interest in ELI and announcing the proposed Oza field investment.

Last year I reported that Eroton had continued to drill its three-well campaign and progressed the new oil export system. The drilling campaign was successfully completed during 2020, and the new oil export system, ACOES, is expected to be operational during H2 2021.

I continue to believe that we should not expect significant long-term impacts resulting from the sustained economic downturn, to our indirect interest in OML 18 or the underlying asset, however we have credit impaired the MLPL Loan Notes due to these increased risks previously mentioned. San Leon and Eroton, the operator of OML 18, continue to observe work from home where possible for office employees, while continuing to adjust field location rotations and managing working capital. Naturally, the operational deferrals, OPEC production restrictions and increased production downtime have reduced production during 2020 and have some natural delay in achieving future production increases from new well drilling. Alongside the revival in oil prices post the reporting period, I expect Eroton to start to consider when to restart well operations with an aim to boosting production on what we consider to be a world-class asset.

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.

Our investment in ELI is expected to yield attractive returns to the Company from its loan plus equity component, and we anticipate the ACOES and FSO will be commissioned in the second half of 2021. We continue to finalise our investment in the Oza marginal field, within the broader OML 11 block, onshore Nigeria. This is an existing field with some production history, where we believe workovers and new drilling can release the asset's expected inherent value. Again, a relatively low-risk investment with a cash sweep, combined with an equity interest via the Risk Service Provider on Oza, fits well with the Company's strategy to broaden its portfolio in Nigeria using limited risk investments with near-term targeted cash flow. This transaction is still awaiting final conditions precedents to complete.

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, the

US$47.3m

US$47.3 million received since the beginning of 2020.

operator, Providence Resources plc, continues to work on a funding solution which is expected by Providence to conclude by the end of the third quarter in time to meet drilling in 2022 and progress development of the field.

The Company has nearly completed its exit from Poland, with the small amount of remaining activity being administrative. The Company continues to hold certain NPIs in relation to Polish licences.

The assets of NovaSeis are planned to be sold as part of the Company's exit from Poland, with the majority of non-seismic equipment having already been sold.

Staff welfare is of utmost importance to us and as such at San Leon Energy plc we have also been working remotely whenever possible since March 2020 as mandated by the different governments in the countries in which we have a presence. All employees and consultants have continued to be actively engaged regardless of the home working conditions.

As at 18 June 2021 San Leon had unrestricted cash on hand of US$8.0 million, however given the issues around Covid-19, volatility in the oil price and demand as well as short term production issues at the asset level, the Company is not confident of repayments being received on time. This has resulted in a credit impairment of the Loan Notes due to uncertainty in timing of repayments. Our cash inflows have allowed the Company not only to survive the on-going market turmoil, but also to take advantage of potential value-adding opportunities. The Company continues to monitor the situation and is managing its financial position accordingly.

During 2020, 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. John Brown was recently appointed as Independent Non-Executive Director and the Chair of the Audit and Risk Committee. John brings 20 years of international experience in the oil and gas and related industries, including 10 years in West Africa. Following John's appointment and as part of a corporate governance review conducted in conjunction with its search for a new non-executive director, Alan Campbell, Director of Commercial & Business Development, also stepped down from the Board. I am grateful to Alan for stepping down from his Board role at this time as part of our corporate governance Board restructuring, where there is now an equal balance of three Non-Executive Directors and three Executive Directors. Alan was a key figure in San Leon's growth and transformation during his time as a Director. He will remain a part of the Company's executive management team and continue to contribute to San Leon's commercial and business operations going forward. He also remains as Company Secretary. The Company would like to thank Non-Executive Directors, Mark Phillips, Bill Higgs and Linda Beal, who left the Board during the period, for their service and wish them well for the future.

During July, Allenby Capital Limited was appointed as the Company's Nominated Adviser and Joint Broker. At the same time, pursuant to the acquisition of Whitman Howard Limited by Panmure Gordon & Co ("Panmure Gordon"), the Company appointed Panmure Gordon as its Joint Broker.

Environment, Social and Governance ("ESG") is an area of increasing importance for businesses and investors. We constituted a formal Committee of the Board during December 2020 to oversee San Leon's ESG strategy and initiatives. This is an area to which San Leon continues to be committed and our focus in 2021 is in developing our own ESG strategy, which the Company anticipates will meet 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 which we have a presence. The Company continued several initiatives during the course of 2020 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. This is in addition to our ongoing support of women-led small enterprises in Nassarawa and Benue States and the installation of motorised water boreholes.

With its increasing technical involvement in OML 18, relationships in-country, additional investments in ELI and Oza (yet to be completed), and funds expected in the future, we believe San Leon is well-positioned to continue to realise value for shareholders from Nigeria. With the stabilised oil price and planned ACOES, we hope to see an improvement in the short-term production issues at the asset level, and continue to monitor the situation closely.

Our strategy continues to include the delivery of sustainable long-term returns to shareholders. We aim to achieve this through a combination of returns to shareholders and also growth in our asset base.

I look forward with confidence to updating shareholders on the achievement of these aims.

Mutiu Sunmonu
Chairman

28 June 2021

Four expected cash flow sources

Strong cash flow enabled the Company to complete a share repurchase programme in January 2020 and paid a US$33.3 million special dividend in May 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 2020, San Leon had received total cash inflows of US$195.6 million (interest and principal) due under the terms of the Loan Note. During 2021, further payments of US$0.8 million were received, bringing total cash receipts to date to US$196.4 million, leaving US$82.1 million* at par value (before interest) (accounted for as US$92.4 million under IFRS) outstanding as of 18 June 2021.

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 the remaining outstanding balance of the Loan Notes, however due to short term production issues on OML 18, the Board is unable to assess the timing of when the repayments will be made. Due to this uncertainty in timing, the Company has credit impaired the Loan Notes. Having assessed the risk of non-payment, the Board, although unsure of timing, still anticipates that all Loan Note repayments will continue to be made, 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

ELI loan note and interest

In August 2020 the Company announced an investment of US$15.0 million in Energy Link Infrastructure (Malta) Limited ("ELI"), the company which owns the Alternative Crude Oil Evacuation System ("ACOES") project. The investment comprises a 10% equity interest in ELI together with a US$15.0 million* shareholder loan at a coupon of 14% per annum (accounted for as US$16.4 million under IFRS at 18 June 2021) over four years, and repayable quarterly following a one-year moratorium from the date of investment. Repayments are expected to commence from Q3 2021. Under the terms of ELI's senior debt facility, the lender has a charge over all of the company's assets and, as further security, each shareholder (including San Leon Energy) has pledged their shares to the lender. The terms of the pledge are that the shares cannot be transferred or otherwise utilised without the lender's consent.

2 Services revenue

San Leon can provide 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 that with the current sustained improvement in oil price, and subject to OPEC quota restrictions, drilling may recommence during 2022. Current expectation of services income is a continuation of the contract for its subsurface technical input and leadership once this drilling commences.

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 as yet by MLPL. OML 18 cash flow has not been as anticipated due to both operational issues and the economic turmoil during Covid-19 as well as the associated volatility in oil price and impact on planned well drilling and delays in the ACOES project.

The majority of the 9% production downtime in 2020 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 32,000 bopd during 2020 before that downtime, having also been affected by OPEC production restrictions. This downtime issue is being addressed by the planned implementation of the new ACOES export pipeline and Floating Storage and Offloading ("FSO") project, which is due to be commissioned during H2 2021. 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

Pipeline losses have been allocated to all operators by the Bonny Terminal operator. The 28% pipeline losses (reducing 2020 field oil sales further to approximately 21,000 bopd) have been a significant burden on net oil sales. In future, the ACOES 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.

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.

As a 10% shareholder in ELI, San Leon stands to benefit from what the Board considers can be a very profitable operation in the medium to long term.

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 increased that fair value of the Net Profit Interest to US$6.8 million.

** Refer to Alternate Performance Measures on page 119 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

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

NEAR TERM | MEDIUM TERM | LONG TERM

1 Loan Notes

Payment under Loan Notes structures.

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 Dividends

Dividend payments as a consequence of holding indirect economic interests in producing assets.

4 Net Profit Interest

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

Chief Executive's statement

2020 saw operational progress at OML 18 in preparation for its next stage of development, tempered by the macroeconomic environment.

Eroton completed its three-well drilling programme and the new oil export system (Alternative Crude Oil Evacuation and Storage system, or "ACOES") had continued to progress its implementation. Following year end, the FSO has arrived in Nigerian waters. Such operational activity, together with expected future well work, is we believe, the key to the anticipated unlocking of further value for the stakeholders in OML 18.

Both gross production at the wellhead and sales oil volumes were lower than expected. This was due to downtime; allocated pipeline losses associated with the use of the Nembe Creek Trunk Line ("NCTL"); Covid-related operational delays; prudent reduced operational expenditure and capital expenditure spending as a result of lower oil price; and also, OPEC production quota restrictions. Gross oil production, taking out the effect of NCTL downtime, (but after reductions for OPEC quota production restrictions), was around 32,000 bopd. Sales oil, including the effects of downtime and allocated losses, and of OPEC quota production restrictions, was around 21,000 bopd.

The most positive impact on OML 18 oil sales is expected to be Eroton's agreement with Energy Link Infrastructure (Malta) Limited ("ELI"). ELI is financing and constructing 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 11,000 bopd difference between gross production, when the pipeline is running, and average sales oil. In addition, it is anticipated that the ACOES and FSO project will greatly improve overall well uptime.

San Leon continues to be 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 for new wells. We believe that OML 18 is a world class asset and one that we look forward to developing further with our partners.

Additions to our asset base

I have previously been clear that San Leon's strong cash position, professional relationships and technical capability would be used to broaden our portfolio of assets, particularly where market forces make financial strength a differentiator. To that end we were pleased to announce our investment in ELI.

The Company invested US$15.0 million into ELI as a loan, whilst securing a 10% equity interest in ELI. Repayments are expected from 31 July 2021 adding to our cash flow in the second half of the year. It is anticipated that the pipeline will be commissioned during the second half of 2021 and we are pleased to report that third party sales are planned to commence during the second half of 2021. It is expected that Eroton volumes will commence during H2 which will then complete the vital role in optimising cash flow from OML 18. The ELI investment is also expected to be a value-adding asset for Company shareholders as part of a broader portfolio.

Additionally, San Leon also announced an investment of US$7.5 million into Decklar during 2020, which is still to complete. This transaction involves Decklar, as Risk Service Provider to the operator of the Oza field, performing workover and new well drilling to develop the reserves and contingent resources on what is a proven producing field with existing infrastructure. Under the terms of the

financing, SLE have rights to a cash sweep until the loan coupon is repaid, with an option to purchase an additional 15% equity holding (30% in total) on the same terms following the initial development well. With near term operations imminent, I look forward to updating you after the first well results are known and in relation to the completion of the investment.

San Leon also notes the announcement by Providence Resources plc that it has terminated the farm-out agreement with SpotOn Energy for the Barryroe Licence and is progressing arrangements for an alternative funding package to finance 100% of the costs of the early development scheme ("EDS") for the Barryroe licence (SEL 1/11). San Leon retains a 4.5% Net Profit Interest over the Barryroe field, one of the largest undeveloped discoveries in Western Europe, with independently appraised 2C resources of 346 MMboe and significant further resource potential in additional reservoirs. The Company continues to follow these negotiations with interest.

Cash flow

The Company has four anticipated sources of cash flow, as it builds its portfolio in line with its stated strategy. As of 31 December 2020, cash receipts totalling US$195.6 million have come from the repayment of MLPL Loan Notes, including interest. The outstanding balance payable as of 18 June 2021 is US$93.2 million* at par value (US$92.4 million under IFRS), which continues to accrue interest. Final payment of the MLPL Loan Notes was anticipated by the end of 2021, however due to issues around Covid-19, volatility in the oil price and demand as well as short-term production issues on OML 18, the Company believes this date is unlikely to be met. The Company is still confident in receiving all repayments and late payment interest, however in line with our accounting policy we have recognised a credit impairment to reflect the uncertainty around timing of repayments.

Repayments of loan notes from our investment in ELI are due to commence in July this year.

The Company will also generate income from the provision of subsurface technical services to Eroton which will align with field development expected in 2022. 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. We are also hopeful of future dividends from our equity interest in ELI in the medium to long term.

** Refer to Alternate Performance Measures on page 119 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

Chief Executive's statement continued

Corporate

Further shareholder returns were provided in 2020 via the Company's first special dividend of US$33.3 million, in line with the Company's announced policy. This follows on from share repurchases of US$2.0 million over October 2019 to January 2020.

ESG

As discussed in the Chairman's statement ESG is 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

The Oil price was significantly impacted for the majority of 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 presented the Company with both risks and opportunities, and we are delighted to see that the oil priced has strengthened considerably in 2021. The opportunities taken to date were the investment in and loan to ELI and the expected finalisation of the investment in Oza (still to complete).

The Company has cash in hand as at 18 June 2021 of US$14.8 million, and with future loan note repayments, we believe it will put us in a position to continue moving forward with our strategy and capitalising on accretive opportunities. The Company continues to monitor the performance of OML 18, and is ready to pursue any appropriate opportunities that may arise in the current market.

I look forward to updating shareholders with news of the impact of the ACOES on OML 18, plans for operations on OML 18 as we hopefully emerge from macroeconomic issues, and how our various expected cash flow streams are performing. The Company is in a good position, with several future cash streams, and together with its professional relationships and people, I believe is well-positioned to grow and add further value to shareholders.

Oisín Fanning
CEO

28 June 2021

Corporate governance

Board of Directors

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 ~US$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 Health and Safety Committee, Nomination and Remuneration Committee's, Member of Audit and Risk Committee. During the year Mr Sunmonu Chaired the Audit and Risk and Remuneration Committees while recruitment of an additional Independent Non-Executive Director occurred.

(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 Health 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 Fellow of CPA Australia (FCPA 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)

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. Mr Ademola is also the CEO and Executive Director of ELI.

Committee memberships: Invited to attend the Nomination Committee during the year.

(Appointed to Nominations Committee on 25 May 2021)

John Brown
Independent
Non-Executive Director

Background and experience:
Mr Brown has more than 20 years of international experience in the oil and gas and related industries, including 10 years in West Africa. He is a Chartered Accountant (ICAS) and has acted as Chief Financial Officer or Group Finance Director for numerous UK listed companies within the oil and gas sector including Gulf Marine Services plc, Bowleven plc and Pittencrieff Resources plc.

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

(Appointed 7 May 2021)

Previous Directors

Alan Campbell: Executive Director

(Appointed 21 September 2016, resigned 7 May 2021)

Bill Higgs: Independent Non-Executive Director

(Appointed 22 May 2018, resigned 18 May 2020)

Mark Phillips: Independent Non-Executive Director

(Appointed 21 September 2016, resigned 29 June 2020)

Linda Beal: Independent Non-Executive Director

(Appointed 16 January 2018, resigned 7 December 2020)

Corporate governance statement

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 principal 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 and also the balance regarding Non-Executive and Executive Directors. During the year we were not compliant regarding an appropriate balance between Executive and Non-Executive Directors and maintaining at least two Independent Non-Executive Directors. This situation arose as a result of timing differences between the resignation and appointment of Directors. We fully consulted our Nominated Advisor on this point, and informed the market it was to be addressed. We have since recruited an additional Independent Non-Executive Director and rebalanced the Board to rectify this. These are highlighted in the respective sections outlined below.

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 for the majority of 2020 however from December 2020 through May 2021 we were not compliant. The recruitment for an experienced Independent Non-Executive Director to Chair the Audit and Risk Committee was undertaken and with the addition of John Brown to the Board during May 2021 this was rectified. As part of a corporate governance review conducted in conjunction with its search for a new non-executive director, Alan Campbell, Director of Commercial & Business Development, also stepped down from the Board. This has facilitated a rebalancing between Executive Directors and Non-Executive Directors which, following Mr Brown's appointment, will now be three of each. San Leon is committed to high standards of corporate governance and the Directors believe that this reorganisation is an important action to ensure the overall structure and experience of the Board is suitable in light of the Company's anticipated strategic growth plans.

At the date this Annual Report is published, the Board comprises the Chairman, three Executive Directors and two Non-Executive Directors. The Independent Non-Executive Directors are Mutiu Sunmonu (appointed 21 September 2016) and John Brown (appointed 7 May 2021). They are considered independent of management and any business or other relationships which would interfere with the exercise of their independent judgement. 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. Mr Ademola is also CEO and Executive Director of ELI. On 18 May 2020 Mr Bill Higgs resigned as a Director, followed by Mr Mark Phillips on 29 June 2020 and Ms Linda Beal on 8 December 2020. All were Independent Non-Executive Directors.

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 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 remains the indirect economic interest in OML 18 – which the Directors consider to be a world class asset onshore Nigeria. Other Nigerian assets include an equity interests in ELI. The Company continues to seek to monetise or otherwise dispose of its non–core assets and in keeping with that strategy.

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

- financial risk around loan note repayments;
- partnership risk;
- further Pandemics; and
- commodity price 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 upon the availability of cash to distribute. 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$33.3 million), or 6 pence per ordinary share, with a payment date in 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 at times other Executive Directors meet with current (and potential future) institutional and retail shareholders and brokers to update them on the Company's progress. During lockdown and with Covid-19 restrictions many meetings held were via video-conferencing during 2020 and 2021.

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 Director 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 and Risk, Remuneration, Nomination and Health and Safety Committees are on-hand to answer questions that may arise at the meeting. The 2020 AGM was held via teleconference due to Covid-19 travel restrictions on 27 September 2020. All Directors were in attendance with Committee Chairs available to answer any questions via email ahead of the meeting, 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 at 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, discretionary 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 Sustainability Section of the ESG 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.

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.

A risk management policy and procedure has 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 and Risk Committee quarterly. The Audit and Risk Committee reports on its activities and make recommendations to the Board as appropriate.

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, three Executive Directors and two 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, are Mutiu Sunmonu and John Brown (appointed 7 May 2021) who 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 had a balanced and diverse Board with the requisite skills to build a successful, sustainable Nigerian-focussed oil and gas business. We have recently recruited John Brown as Independent Non-Executive Director and Chair of the Audit and Risk Committee.

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 Company advisors to allow them 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 2020

	Maximum possible attendance	Meetings attended
Mutiu Sunmonu	13	12
Oisín Fanning	13	13
Joel Price	13	13
Lisa Mitchell	13	13
Alan Campbell>	13	13
Adekolapo Ademola ~	7	7
Linda Beal *	10	9
Mark Phillips ^	8	7
Bill Higgs <	6	5

~ *Appointed 7 April 2020.*
* *Resigned 7 December 2020.*
^ *Resigned 29 June 2020.*
< *Resigned 18 May 2020.*
> *Resigned 7 May 2021.*

The Board Committees

The Board has established four separate committees: Remuneration Committee, Audit and Risk Committee, Nomination Committee, Health and Safety Committee. In December 2020 the Environment and Social Governance Committee ("ESG") was formally constituted and it is anticipated it will report in through the Health and Safety Committee.

Remuneration Committee

The Remuneration Committee consists of the Chairman, and one Non-Executive Director, John Brown, and is chaired by Mutiu Sunmonu. During 2020, Mark Phillips resigned from the Board and as Chair of the Remuneration Committee at which point Linda Beal assumed the Chair role. On the subsequent resignation of Linda Beal, Mutiu Sunmonu assumed the Chair role. 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. During the year the Remuneration Committee met and discussed the following:

- 2019 Performance against agreed metrics;
- Agreed the 2019 cash bonus and award to Executives; and
- 2020 Remuneration framework and set Executive 2020 KPI's.

Remuneration committee meetings and attendance in 2020

	Number of meetings	Number of meetings attended
Mutiu Sunmonu (Chair)	4	4
Mark Phillips ^	4	4
Linda Beal *	4	4
John Brown>	Nil	Nil

^ *Resigned 29 June 2020.*
* *Resigned 7 December 2020.*
> *Appointed 7 May 2021.*

Audit and Risk Committee

The Audit and Risk Committee consists of the Chairman, Mutiu Sunmonu and John Brown, Independent Non-Executive Director and Chair of the Committee (appointed 7 May 2021). From 7 December 2020 to 6 May 2021 Mr Sunmonu assumed the Chair role until the appointment of Mr Brown.

The duties of the Audit and Risk 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 and Risk 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 and Risk Committee considered the need for internal audit and based on the size and scale of the Group's activities, combined with curtailment of activities due to Covid-19, that the outsourced internal audit reviews be put on hold.

However, following the further investments in ELI and the proposed Decklar Petroleum investment during in 2020, the Committee recommended that the internal audit plan for 2020 should be rescheduled for 2021.

During November 2020 this decision was reviewed and an external firm have been re-engaged with a view to commencing four reviews during 2021. For more details, please refer to the Audit and Risk Committee report on page 24.

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

Corporate governance statement

Continued

Audit committee meetings and attendance in 2020

	Number of meetings	Number of meetings attended
Mutiu Sunmonu ~	5	5
Mark Phillips ^	3	3
Linda Beal *	5	5
John Brown (Chair) >	Nil	Nil

^ *Resigned 29 June 2020.*
* *Resigned 7 December 2020.*
\> *Appointed 7 May 2021.*
~ *Assumed Chair role from 7 December 2020 to 6 May 2021.*

Nomination Committee

The Nomination Committee consists of the Chair, Mutiu Sunmonu, John Brown (appointed 7 May 2021), Adekolapo Ademola (appointed 25 May 2021) and the Chief Executive Officer, Oisin Fanning. 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 was one meeting held during the year whereby the committee led the process for a new Board appointment and making recommendations to the Board.

Nomination committee meetings and attendance in 2020

	Number of meetings	Number of meetings attended
Mutiu Sunmonu (Chair)	1	Nil
Mark Phillips ^	1	1
Oisín Fanning	1	1
Linda Beal *	Nil	Nil
Adekolapo Ademola~	Nil	Nil
John Brown >	Nil	Nil

^ *Resigned 29 June 2020.*
* *Resigned 7 December 2020.*
~ *Appointed 7 April 2020 and invited to attend the Nomination Committee. Appointed to the Nomination Committee on 25 May 2021.*
\> *Appointed 7 May 2021.*

Health and Safety Committee

The Health and Safety Committee consists of the Chairman, Mutiu Sunmonu and the Chief Operating Officer, Joel Price. The Health 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 Health and Safety Committee is also responsible for ethics and corporate social responsibility.

Health and Safety committee meetings and attendance in 2020

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

< *Resigned 18 May 2020.*

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, John Brown and Adekolapo Ademola are independent of management. The Board considers their ability to act independently to be unaffected by participation in the Company's option scheme.

Mr Ademola is considered a Non-Independent Non-Executive Director, appointed on behalf of Midwestern Oil & Gas Company Ltd.

Nomination Committee

The Nomination Committee is chaired by Mutiu Sunmonu (Non–Executive Chairman and Chair of the Remuneration and Nomination Committee's), with Oisín Fanning (Chief Executive Officer) and John Brown (appointed 7 May 2021) members. During the year Mr Adekolapo Ademola (Non-Independent Non-Executive Director and Chair of the Nomination Committee) was invited to attend meetings and was formally appointed to the Committee on 25 May 2021. 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.

Balance between Executive and Non-Executive Directors

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 for the majority of 2020 however from December 2020 through May 2021 we were not compliant. The recruitment for an experienced Independent Non-Executive Director to Chair the Audit and Risk Committee was undertaken increasing the number of Independent Non-Executive Directors to two. The Board currently comprises three Executive Directors and three Non-Executive Directors and is therefore compliant. During the intervening period until Mr Brown's appointment the Chairman assumed the role of Chair of the committees that it was thought appropriate for an Independent Non-Executive to Chair.

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 Remuneration Committee sought assistance from external advisors regarding remuneration and incentive packages for Executive Directors. The Non-Executive Directors, at times, provide internal advisory services (Please see Related Parties Note 31).

The Company Secretary and advisors assist 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

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

~ *Appointed 7 April 2020.*
* *Resigned 7 December 2020.*
^ *Resigned 29 June 2020.*
< *Resigned 18 May 2020.*
Appointed 7 May 2021.
** *Resigned 7 May 2021.*

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

The Board considers that during the majority of 2020 the combination of Non-Executive and Executive Directors was of sufficient competence and experience to support the strategy and development of the Company. We have recently recruited an Independent Non-Executive Director to Chair the Audit and Risk Committee in order to further strengthen and replace resignations during the year.

The Chairman and Nomination Committee will continue to review and monitor the strength and objectivity of the Board and seek improvement. Please see the Nomination committee report page 30 for activities performed during the year.

Succession planning

Succession planning is currently undertaken on an informal basis by the CEO in consultation with the Board. The Board is satisfied that this is appropriate for this stage in the Company's development and will continue to review its succession planning.

Formal evaluation of Board and Directors

There was no formal evaluation process performed during 2020.

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. The Board continues to review and strives to enhance all areas of governance. The Board continues with its commitment in attaining compliance with the QCA code.

Corporate governance statement

Continued

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:

- 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 Health 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. Please refer to the HS&E committee report on page 31 for a list of activities performed during the year.

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 once every year or more often if necessary and is communicated to all employees. It was last reviewed in December 2020 as part of the Audit and Risk Committee responsibilities.

Anti-Bribery and Corruption Policy

The Company's Anti-Bribery and Corruption Policy ("ABC") 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 ABC 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 2020 as part of the Audit and Risk Committee responsibilities. During 2020 the Audit and Risk Committee also completed an independent review of the ABC Policy and Procedures *(see Audit and Risk Committee report)*.

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 and Risk Committee report for a description of the committee and the 2020 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 and Risk Committee, Remuneration Committee, Nomination Committee and Health and Safety Committee (an ESG Committee was formally constituted in December 2020); details of their activities during 2020 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 CEO 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 and Risk, Remuneration, Nomination, and Health 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

28 June 2021

Audit and Risk Committee report

The Audit Committee comprises two members, both of whom are Independent Non-Executive Directors including the Chair, John Brown who was appointed on 7 May 2021 to replace Linda Beal, and Mutiu Sunmonu who are considered by the Board to have recent and relevant financial experience. The Audit and Risk 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. During 2020 Linda Beal (7 December 2020) and Mark Phillips (29 June 2020) both resigned from the Board and their respective committees.

Roles and responsibilities

The main roles and responsibilities of the Audit and Risk 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 and Risk 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 and Risk 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 and Risk 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 and Risk 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 2020 the Audit Committee considered the role of internal audit and decided to pause the internal audit reviews in 2020 based on the size and scale of the Group's activities, combined with curtailment of activities due to Covid-19 and the pandemic.

The internal audit role was reviewed again in November 2020 and it was considered appropriate to restart the programme during 2021. The internal audit role reports into the Audit and Risk Committee and the main processes of control to be reviewed during 2021 are detailed below:

- Review of Procurement to Pay processes;
- Risk Register review and review of new software implemented during 2020;
- Payroll controls review; and
- Treasury controls review.

The Audit and Risk Committee reviewed the Corporate Risk Register at its meeting on 8 June 2020 and again on 17 May 2021.

Other policies and procedures reviewed or updated and implemented during the year were:

- Treasury policy;
- Finance Position and Prospects Procedures ("FPPP"); and
- An Independent review of the Anti-Bribery and Corruption Policy and Processes and the Criminal Finances Act.

2020 financial statements

The Audit and Risk Committee reviewed the interim financial statements.

The Audit and Risk Committee reviewed the planning of the 2020 audit and the annual report. With regard to the Group's financial statements, the Audit and Risk 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 and Risk Committee received and considered memoranda from management regarding these matters and discussed these with the external auditor.

The Audit and Risk Committee determined that the key risks of misstatement of the Group's financial statements related to the carrying value of the Loan Notes and equity interest for both MLPL and ELI and the Net Profit Interest (NPI) on the Barryroe oil field and going concern. These matters were discussed with management during the year when the Committee considered the interim financial statements and in 2021 when the Committee reviewed the 2020 Annual report and financial statements.

Valuation of MLPL Loan Notes and equity interest

At 31 December 2020 there was US$82.1 million* at par value (US$84.2 million under IFRS) outstanding (before interest) on the MLPL Loan Notes. The value of the equity interest in MLPL at 31 December 2020 was US$43.8 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 13 and 17 of the financial statements.

Valuation of ELI Loan Notes and equity interest

At 31 December 2020 there was US$15.0 million* at par value (US$15.4 million under IFRS) outstanding (before interest) on the ELI Loan Notes. The value of the equity interest in ELI at 31 December 2020 was US$0.3 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 13 and 17 of the financial statements.

* *Refer to Alternate Performance Measures on page 119 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

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 2020 was increased to US$6.8 million. The Audit Committee adopted the market-based valuation approach for this investment as it considered it a reasonable and appropriate method to determine carrying value. It also noted the announcement post balance date that Providence Resources Ltd has terminated the farm-out agreement with SpotOn Energy for the Barryroe Licence and is progressing arrangements for an alternative funding package to finance 100% of the costs of the early development scheme ("EDS") for the Barryroe licence (SEL 1/11).

Going concern

The Audit Committee reviewed the detailed cash flow forecast for the Group and the Company for the period from 1 June 2021 to 31 December 2022, the principal assumptions underlying the cash flow forecast. This included a review of various scenarios including the availability of finance to the Group other than MLPL Loan Note receipts, and also certain cost saving measures. The Audit Committee considered that whilst there may be uncertainty over the timing and amount of future MLPL Loan Note payments, their receipt is not required given the cash flow forecast assumptions (See Note 1) in order for the Group to continue as a going concern. Accordingly, 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 and Risk Committee by:

John Brown
Audit and Risk Committee

28 June 2021

Remuneration Committee report

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

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 CEO 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 2020 were as follows:

	Salary & emoluments US$'000	Bonus US$'000	Pension US$'000	Fees & services US$'000	Benefits US$'000	**2020 Total US$'000**
Mutiu Sunmonu #	–	–	–	163	–	**163**
Oisín Fanning	1,334	593	–	68	26	**2,021**
Joel Price	448	193	33	68	8	**750**
Lisa Mitchell	448	193	33	68	7	**749**
Alan Campbell **	448	193	33	68	3	**745**
Mark Phillips ^	–	–	–	33	–	**33**
Linda Beal *	–	–	–	63	–	**63**
Bill Higgs <	–	–	–	26	–	**26**
Adekolapo Ademola ~	–	–	–	50	–	**50**
	2,678	1,172	99	607	44	**4,600**

< *Resigned 18 May 2020.*
^ *Resigned 29 June 2020.*
* *Resigned 7 December 2020.*
~ *Appointed 7 April 2020.*
# *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.*
** *Resigned as Director 7 May 2021.*

Remuneration Committee report

Continued

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$'000	2019 Total US$'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.*
> *Termination payment of US$127,836 is included within Salary & Emoluments*

In addition to the emoluments above, in accordance with IFRS 2 share-based payments, a cost of US$418,048 (2019: US$491,635) has been recognised in respect of share options granted to Directors. A total of US$Nil (2019: US$115,712) 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 2020, 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	22/06/21	31/12/19	01/01/20
Oisín Fanning	9,495,864	9,495,864	9,495,864

Share options

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

	Options at 01/01/20	Granted in year	Lapsed in year	Options at 31/12/20	Exercise price	Expiry date
Mutiu Sunmonu	1,000,000	–	–	1,000,000	£0.45	20/09/23
Oisín Fanning #	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
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	22/03/28
Adekolapo Ademola ~	–	1,000,000	–	1,000,000	£0.45	22/03/28

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. Mr Campbell stepped down from the Board on 7 May 2021.

> *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$344,332 of which US$270,617 was recognised in 2019. The options have since been awarded on 23 March 2021.*

~ *On his appointment on 7 April 2020, 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 close 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$344,332. The options have since been awarded on 23 March 2021.*

< *Resigned 18 May 2020.*

^ *Resigned 29 June 2020.*

* *Resigned 7 December 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:

Mutiu Sunmonu
Remuneration Committee Chair

28 June 2021

Nomination Committee report

The Committee conducted its business through one meeting held in 2020. Membership during the year comprised of the Chairman Mutiu Sunmonu, Adekolapo Ademola who was invited to attend meetings, the Chief Executive Officer Oisin Fanning, Mark Phillips (resigned 29 June 2020) and Linda Beal (resigned 8 December 2020). John Brown was appointed on 7 May 2021. Adekolapo Ademola was formally appointed on 25 May 2021.

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 to regularly review the 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 this.

The Board welcomed Adekolapo Ademola who was appointed to the board on 7 April 2020 as a Non-independent Non-Executive Director. During 2021 John Brown was appointed to the Board as Independent Non-Executive Director and Chair of the Audit and Risk Committee, and member of the Remuneration and Nomination Committees.

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.

Given the importance and increased focus on ESG since Covid-19, the ESG Committee was formally constituted in December 2020. Members of the ESG committee are: Adekolapo Ademola (Chair), Mutiu Sunmonu and Lisa Mitchell.

In accordance with the Articles of Association, Joel Price and Lisa Mitchell retire from the Board by rotation and, being eligible, offer themselves for re-election.

Mutiu Sunmonu
Nomination Committee Chair

28 June 2021

Health and Safety Committee report

During 2020 the Health 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 operational 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 operational 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 employees and acknowledged. The Ethics and Corporate Social Responsibility policies are to be reviewed.

Given the importance and increased focus on ESG since Covid-19, the ESG Committee was formally constituted in December 2020. Members of the ESG committee are: Adekolapo Ademola (Chair), Mutiu Sunmonu and Lisa Mitchell.

Mutiu Sunmonu
Health and Safety Committee Chair

28 June 2021

Directors' report

for the year ended 31 December 2020

A special dividend was paid in May 2020 of **US$33.3 million**

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 2020.

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, and a 10% interest in Energy Link Infrastructure (Malta) Ltd ("ELI"). ELI's sole asset is the proposed new Alternative Crude Oil Evacuation System ("ACOES") constructed to provide a dedicated oil export route from the OML 18 asset to a Floating Storage and Offloading ("FSO") vessel.

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

Results and dividends

The Group loss for the year after providing for depreciation and taxation amounted to a loss of US$11.9 million (2019 Restated: loss of US$44.6 million). Net assets of the Group at 31 December 2020 amounted to US$152.1 million (2019 Restated: US$195.8 million). Exploration & evaluation impairments / write off totalled US$0.2 million in 2020 (2019: US$1.4 million). The Barryroe 4.5% Net Profit Interest carrying value was increased to US$6.8 million (2019: US$2.8 million). A special dividend was paid in May 2020 of US$33.3 million (2019: US$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 and Risk 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 and Risk Committee's performance refer to the Audit and Risk 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$0.8 million have been made on behalf of MLPL and received by the Company. There is currently US$4.2 million (before late payment interest) outstanding from the US$10.0 million repayment due on 6 October 2020.

The Directors have considered the impact of Covid-19, volatility in the oil price and demand, OPEC quotas and short-term production issues upon the Company's indirect interest in OML 18, and upon the Loan Notes. The overall effect is likely to delay the receipt of distributions from MLPL. The Company is monitoring the situation, and despite being unable to predict the timing of future Loan Note receipts, is confident that the full repayment will be made.

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.

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 and Risk 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 and Risk 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. • Midwestern Oil and Gas Limited Loan Note guarantee.	Increased
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.	Increased
Further pandemics	• Further lockdowns due to new pandemics or continued Covid-19 escalation creating renewed pressure on oil pricing. • Reduced income stream and repayment of loan notes due to this.	• Continue to follow government advice and lockdown measures whilst maintaining and minimizing disruption to business. • Cash forecasting. • Remote working. • Continued close relationships with partners.	New

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.	Increased
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 Joint Ventures 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.	Increased

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.	Increased
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 Reserve Based Lending 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. • Capital discipline and monitoring.	Increased

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. • Insufficient funds at the Group level to finance growth and pay dividends.	• 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 has a strong track record of successful fundraisings. • Discretionary spend actively managed. • Continued engagement with partners and lenders. • Maintain controls in relation to systems and processes around spend and Delegation of Authority. • Monthly reporting. • Forecasting. • Maintain financial discipline.	Increased
REPUTATIONAL 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 (resigned 7 May 2021)*
- Lisa Mitchell, *Chief Financial Officer*
- Mark Phillips, *Non-Executive Director (resigned 29 June 2020)*
- Linda Beal, *Non-Executive Director (resigned 8 December 2020)*
- Bill Higgs, *Non-Executive Director (resigned 18 May 2020)*
- Adekolapo Ademola, *Non-Executive Director (appointed 7 April 2020)*
- John Brown, *Independent Non-Executive Director (appointed 7 May 2021)*

In accordance with the Articles of Association, Joel Price and Lisa Mitchell 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 2020 (see Remuneration Report), the following shareholders owned 3% or more of the issued share capital of the Company:

	Percentage of issued share capital		
	22/06/21	31/12/20	31/12/19
Funds managed by Toscafund Asset Management LLP	72.63%	73.47%	72.41%
Midwestern Oil & Gas Company Limited	13.18%	13.18%	13.14%

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 2020 the Company completed the repurchase of US$2.0 million of its own shares 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
2020	
Corporate #	–
Total Poland	–
2018	
Corporate #	40
Total Poland	40

 # 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.

Charitable donations were made of US$6,000.

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

28 June 2021

Supporting Health, Education and Communities: Results from our Corporate 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."

Above: Food delivery over Christmas 2020.

ESG & Sustainability

San Leon is committed to ensuring that we operate our business in a way that is sustainable and benefits the local communities in which we have a presence. Given the importance and increased focus on ESG throughout the pandemic, the ESG Committee was formally constituted in December 2020 in order to guide the Company in the development of its own ESG strategy in 2021, which the Company anticipates will meet all the expectations of good international industry practice.

The UN's Sustainable Development Goals ("SDGs"), a collection of 17 goals designed to be a 'blueprint to achieve a better and more sustainable future for all' will be our chief framework by which San Leon will develop its ESG strategy and decide how we as a Company can best contribute to helping the world meet these goals by 2030.

Environmental

As a Company engaged in the exploration and development of oil and gas resources, care for the environment is one of our key responsibilities and an integral part of our business. San Leon is committed to ensuring that the Company complies with all relevant environmental legislation, regulations and approved practices to ensure that our impact on the environment and contribution to pollution is minimised.

In our environmental policy, San Leon is committed to:

- Comply with all relevant environmental legislation, regulations and approved codes of practice;
- Protect the environment by striving to prevent and minimise our contribution to pollution of land, air, and water;
- Seek to keep wastage to a minimum and maximise the efficient use of materials and resources;
- Manage and dispose of all waste in a responsible manner;
- Provide training for our staff so that we all work in accordance with this policy and within an environmentally aware culture;
- Regularly communicate our environmental performance to our employees and other significant stakeholders;
- Develop our management processes to ensure that environmental factors are considered during planning and implementation; and
- Monitor and continuously improve our environmental performance.

The policy statement is regularly reviewed and updated, as necessary. The management team endorses these policy statements and is fully committed to their implementation.

Social

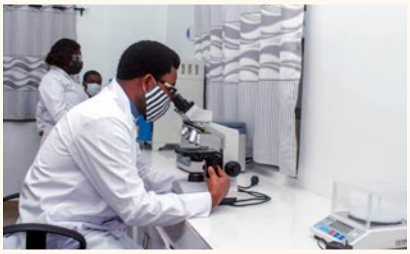
San Leon firmly believes that by providing the younger generation with the valuable skills and education needed to succeed, the whole country will benefit from growth and prosperity.

San Leon is honoured and committed to supporting health, education and community projects in countries in which we have a presence. The Company wants to meet its social responsibilities and contribute directly to society when possible and where we trust our contributions can have a direct impact on the environment and communities we seek to assist.

Above: Opening of Ogbagbala School, Kogi State.

Corporate Responsibility

Continued



Above: St Luke's Medical Centre, Kanshio village, Benue State.

In Nigeria, for example, San Leon has implemented a number of initiatives including the building of a new medical centre in Benue State, the provision of educational support for disadvantaged children and the construction of new schools. This is in addition to our ongoing training and support for small women led enterprises and the installation of motorized water supply stations that can often transform people's daily lives and assist sustainable living. San Leon has also helped many impoverished and vulnerable families by contributing food, shelter, clothing as well as direct educational and medical support.

St Luke's Medical Centre, Kanshio village, Benue State

San Leon is delighted to have been able to support the opening of a new medical centre in Kanshio village, Benue State, in August 2020. The Company funded the transformation of a derelict building into a medical centre, which now includes a new clinical laboratory and perimeter fence to safeguard patients and workers.

It includes six hospital beds for overnight stays and is open to anyone that requires assistance. It is expected to treat approximately 50 patients a day. San Leon has been informed that it will be a life-saving resource and an immense relief to untold-of pain in the surrounding communities, as many of the people who are expected to attend from the area will be malnourished children, poverty stricken pregnant women and vulnerable adults who not only need medical attention but also food that they may not be able to afford. The Company has made a donation to support some of these needs also.

The Bishops of the Province of Abuja, which owns the building, have appointed an experienced expert in hospital management, Sr Joy-Jacob Nkiruka DMMM, to manage the hospital and she has worked with the diocese, government and community to structure and staff the centre and laboratory. The laboratory itself has been equipped to test for a wide range of conditions including typhoid, malaria, hepatitis B and C and HIV to assist in saving critical time between diagnosis and treatment.

We have been delighted to be part of this project from its inception in 2019 to its opening in August 2020, and we wish all involved in this new facility great success in providing healthcare to people in the community long into the future.

Supporting education

While medical projects can 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. San Leon has supported hundreds of young and vulnerable people in education through direct support and by funding the construction of new schools in Nigeria.

One such project, a new six classroom block in the Achusau school, in Benue State, officially opened in October 2020. While the whole community benefits from the new classrooms, particularly disadvantaged children are being enrolled, as part of our investment, who would in normal circumstances not get an education.

San Leon also continues to support education in other ways by:

- covering tuition fees for third level students;
- providing the fees, books and school clothes for orphans and vulnerable children in Kojoli, Adamawa State in the North-Eastern part of Nigeria; and
- providing school fees, books, and exam fees for children from poor homes mostly in Makurdi and Idah areas.

Above: A new six classroom block in the Achusau school, in Benue State.

Medical support

We have been delighted to be part of St Luke's Medical Centre from its inception in 2019 to its opening in August 2020, we wish all involved in this new facility great success in providing healthcare to people in the community.

Education

While medical projects can 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.

St Luke's Medical Centre

"The Medical Centre is treating an average of 50 people a day, the six overnight beds are continuously in use, and the laboratory is constantly diagnosing diseases and conditions on a daily basis such as malaria, Hepatitis B and C, HIV/Aids, Pylori, Diabetes, Diarrhea, Meningitis etc., which nurses and doctors have been able to treat immediately with the medicines provided. I cannot express how overjoyed people are by the sheer relief this medical centre offers."

Fr. Emmanuel Abuh, Trustee & Chairman – Deus Caritas Development Initiative.

Achusau school

San Leon has supported hundreds of young and vulnerable people in education through direct support and by funding the construction of new schools in Nigeria. One such project, a new six classroom block in the Achusau school, in Benue State, officially opened in October 2020. The children pictured are the first to benefit from this life-changing initiative.

Corporate Responsibility

Continued

Supporting women-led enterprise

The Company also supports the training and establishment of small women-led enterprises that can provide people with a sustainable source of income. We have funded the training of approximately 50 women from the states of Nassarawa, Benue State, Enugu, Kogi, and Gwagwalada in tailoring and each woman was donated a sewing machine to establish their own enterprise, noting that crafting traditional African clothing and other clothing is a sustainable local business.

We have been told this support is transforming lives given that many women who before now were struggling with obtaining the most basic necessity of life, food, are now able to afford food and educate their children. Some of these women have also been busy making school uniforms for the children we have supported in education.

Similarly, we sponsored ten women who completed scholarships at catering schools in December 2020. We also supported further women to start the same programme in 2021. We hope that some will go on to gain employment in local private and commercial enterprises. Alternatively, some would be capable of setting up their own businesses with some support, similar to those who have set up tailoring businesses, as referred to above.

Above: Ten women completed their San Leon sponsored catering scholarships.

Water infrastructure projects

Through our presence in Nigeria, the importance of water infrastructure in communities and the onerous task that many families face each day to gather water has been made apparent to us. This daily burden often falls on girls and women who have to walk long distances in search of water in streams and unhygienic rivers for their families.

Following on from our successful water projects in Mballom, Benue State and Igwo-gwo in Kogi State, we completed two further water projects in Yaikyo-Kanshio community of Benue State and Ochaja in Kogi State in 2020.

Above: Completed water project.

By providing motorised water boreholes and storage tanks, the projects have not only relieved the daily toil of getting water for these communities and their immediate neighbours where time saved can be spent on education, work and with families.

By seeking to help people across communities, San Leon has been told it has transformed the lives of children and families. We hope, as part of our Corporate Social Responsibility, that we are positively benefiting society and giving optimism, dignity and strength to people trying to rebuild or better their lives and by also focusing on infrastructural projects, we hope we will leave a positive lasting impact on communities.

Broader responsibility

San Leon Energy actively seeks community involvement, dialogue and debate and we seek to maintain high standards to ensure we meet our broader responsibility towards communities and the environments we work in.

We welcome strict regulation and monitoring of our activities by authorities. We work with regulators and inspectors to make sure we meet best practice in our operations and implement best communication processes.

We are happy to respond to any questions or issues people raise and believe dialogue at all levels increases understanding and trust.

We have organised presentations, community information events and site visits to our operations. This gives people first-hand experience of what we are doing. It helps people understand the role we play in an ever-increasing interconnected world.

We have also been fortunate to provide local employment and foster talent through the investment we are making in local economies. By investing in and supporting local business, education, health and employment, we believe we are investing in all of us.

Governance

The Company seeks to maintain high standards of corporate governance to ensure the business 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 principles of the Quoted Companies Alliance Corporate Governance Code to make sure that focus remains on the pursuit of medium to long term value for shareholders and Company stakeholders more broadly.

As part of this, we seek 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.

Women-led enterprise

We have funded the training of approximately 50 women from the states of Nassarawa, Benue State, Enugu, Kogi, and Gwagwalada in tailoring and each woman was donated a sewing machine to establish their own enterprise, as making traditional African clothing and other clothing is a sustainable local business.

Water projects

Through our presence in Nigeria, it has been brought home to us the importance of water infrastructure in communities and the onerous task many families face each day to gather water. This burden often falls on girls and women who have to walk long hard distances in search of water in streams and unhygienic rivers.

Supporting women-led enterprise

Our training support is transforming lives, given where many women were struggling with obtaining the most basic necessities of life are today able to afford food and educate their children. Mrs Ester Igoma (left in the photo opposite), was trained and provided with a sewing machine and now employs two people in her growing enterprise.

Water infrastructure projects

By providing motorised water boreholes and storage tanks, the projects have relieved the daily toil of getting water for these communities and their immediate neighbours where time saved can be spent on education, work and with families.

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 Rules, they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU. The Directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU and as regards the Company, as applied in accordance with the Companies Act 2014;
- assess the Group and 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 Group or Company or to 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 of the Group and Company and the profit and loss of the Group and which enable them to ensure that the financial statements comply with the provision of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

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

On behalf of the Board:

Oisín Fanning
Director

Lisa Mitchell
Director

Financial statements

Financial statements

Other information

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 financial statements of San Leon Energy plc ("the Company") and its consolidated undertakings ("the Group") for the year ended 31 December 2020 set out on pages 52 to 119, 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, 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 2020 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 and Loan Notes from Midwestern Leon Petroleum Limited ("MLPL")

We draw attention to note 13(i) 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 performance of the Loan Notes in the year, 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. The consequences of the significant uncertainty in relation to the Group and Company's Loan Notes due from MLPL, impact on the Group and Company's assessment of their ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included considering the inherent risks to the Group's and Company's business model and analysing how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The sensitivity we considered most likely to adversely affect the Group's and Company's future financial resources over the going concern period is the significant uncertainty associated with quantum and timing of future cash flows associated with the MLPL Loan Notes as highlighted by the Emphasis of Matter paragraph above. We considered various downside scenarios over the level of available financial resources indicated by the Group's forecasts. A key judgement in the downside scenarios is that there is dependence on cash flows from other financial loan notes within the Group and availability of third party funding. We critically assessed management's assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting and note that there were no risks identified that we considered were likely to have material adverse effect on the Group's and Company's available financial resources over this period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 (unchanged from 2019):

Key audit matter	How the matter was addressed in our audit
Valuation of Midwestern Leon Petroleum Limited ("MLPL") Loan Notes (US$68.9 million) and equity interest (US$43.8 million) *(refer to pages 66 to 72 (accounting policy) and pages 80 to 83 and 87 to 91 (financial disclosures))*	
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 US$68.9 million (2019: US$112.3 million) and equity interest US$14.3 million (2019 restated: US$44.8 million) at 31 December 2020. There are significant estimates and judgment (forecasted cash flows and discount rate) involved in determining the fair value of both the Loan Notes and equity interest in MLPL. This is both a Group and Company key audit matter.	Our audit procedures included, but were not limited to: • Inspection of management's fair value assessment models and accounting papers highlighting the significant assumptions (forecasted 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 Notes to actual receipts in 2020 and to the date of signing the financial statements; • Inspection of documentation supporting the amounts received and due from MLPL under the Loan Notes; • 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 Notes 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 including consideration of restatements in relation to the prior year errors in the MLPL audited consolidated financial statements for the year ended 31 December 2020; 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 of 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.

Key audit matter	How the matter was addressed in our audit
Valuation of 4.5% Net Profit Interest ("NPI") on the Barryroe oil field (US$6.8 million) *(refer to pages 66 to 72 (accounting policy) and pages and 87 to 93 (financial disclosures))*	
The risk relates to the assessment of the carrying value of the Barryroe NPI financial asset of US$6.8 million (2019: US$2.8 million). Assessing the fair value of the Group's NPI in Barryroe continues to be subject to complexity and significant judgement (market based approach and estimated value of the NPI). This is both a Group and Company key audit matter.	Our audit procedures included, but 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 oil 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.* The fair value of the Barryroe NPI asset is estimated by management to be US$6.8 million as at 31 December 2020 (2019: US$2.8 million) based on a fair value model produced by management. This resulted in a fair value gain of US$4.0 million recognised in the Consolidated and Company Statement of Profit and Loss for the period ending 31 December 2020. We consider the valuation technique and significant 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 US$800,000 (2019: US$1,200,000). This has been calculated using a benchmark of Group and Company total assets (of which it represents 0.5% (2019: 0.6%)), 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 US$40,000 (2019: US$60,000), 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.

Other information

The Directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' report, Group overview report, Strategic report and Governance report.

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 undertaken during the course of the audit, 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.

We have nothing to report in this regard.

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 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 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 http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for.

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

28 June 2021

Consolidated income statement

for the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000 (Restated*)
Continuing operations			
Revenue from contracts with customers	2	–	266
Cost of sales		–	(148)
Gross profit		–	118
Share of loss of equity accounted investments	13	**(1,139)**	(9,214)
Administrative expenses		**(14,918)**	(14,899)
Loss on disposal of subsidiaries	4	**(1,044)**	(13,770)
Impairment / write off of exploration and evaluation assets	12	**(196)**	(1,407)
Other income	3	–	1,400
Loss from operating activities		**(17,297)**	(37,772)
Finance expense	6	**(131)**	(144)
Finance income	7	**17,442**	24,123
Expected credit losses	8	**(13,692)**	3,465
Fair value movements in financial assets	17	**4,073**	(48,373)
Loss before income tax		**(9,605)**	(58,701)
Income tax	10	**(2,248)**	14,079
Loss for the financial year		**(11,853)**	(44,622)
Loss per share (cent) – total			
Basic loss per share	11	**(2.63)**	(9.57)
Diluted loss per share	11	**(2.63)**	(9.57)

** See Note 13 for details on restated amounts.*

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Consolidated statement of other comprehensive income

for the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000 (Restated*)
Loss for the year		**(11,853)**	(44,622)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences – subsidiaries	*26*	**83**	(26)
Recycling of currency translation reserve on disposal of subsidiaries	*26*	**1,044**	13,870
Fair value movements in financial assets	*17*	**(194)**	(2,625)
Deferred tax on fair value movements in financial assets	*29*	**–**	40
Total other comprehensive income		**933**	11,259
Total comprehensive loss for the year		**(10,920)**	(33,363)

** See Note 13 for details on restated amounts.*

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

2019	Share capital reserve US$'000	Share premium reserve US$'000	Other un-denom-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	150,600	478,666	–	–	10,777	14,977	2,099	80	(396,049)	261,150
Restatements*:										
Share of loss of equity accounted investments	–	–	–	–	–	–	–	–	(1,058)	(1,058)
Balance as at 1 January 2019 (Restated*)	150,600	478,666	–	–	10,777	14,977	2,099	80	(397,107)	260,092
Total comprehensive income for year										
Loss for the year (Restated*)	–	–	–	–	–	–	–	–	(44,622)	(44,622)
Other comprehensive income										
Recycling of currency translation reserve on disposal of subsidiaries	–	–	–	–	13,870	–	–	–	–	13,870
Foreign currency translation differences – subsidiaries	–	–	–	–	(26)	–	–	–	–	(26)
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)	(44,622)	(33,363)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Tender offer (Note 24)	(144,871)	(459,721)	–	5,024	–	–	–	–	599,568	–
Reduction of capital (Note 24)	(576)	–	576	–	–	–	–	–	(30,512)	(30,512)
Share buybacks (Note 24)	(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)	127,544	195,848

** The balance at 1 January 2019 has been restated to account for the following:*
The share of loss of equity accounted investments increased by US$1.1 million in 2018 resulting in a decrease in the Company's equity by the same amount, see Note 13 for full details.

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020 – continued

2020	Share capital reserve US$'000	Share premium reserve US$'000	Other un-denom-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 2020	5,172	21,077	623	5,024	24,621	14,292	–	(2,505)	127,544	195,848
Total comprehensive income for year										
Loss for the year	–	–	–	–	–	–	–	–	(11,853)	(11,853)
Other comprehensive income										
Foreign currency translation differences – subsidiaries	–	–	–	–	83	–	–	–	–	83
Recycling of currency translation reserve on disposal of subsidiaries	–	–	–	–	1,044	–	–	–	–	1,044
Fair value movements in financial assets	–	–	–	–	–	–	–	(194)	–	(194)
Deferred tax on fair value movements in financial assets	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for year	–	–	–	–	1,127	–	–	(194)	(11,853)	(10,920)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Tender offer (Note 24)	–	–	–	–	–	–	–	–	–	–
Dividend payment (Note 25)	–	–	–	–	–	–	–	–	(33,251)	(33,251)
Reduction of capital (Note 24)	–	–	–	–	–	–	–	–	–	–
Share buybacks (Note 24)	(15)	–	15	–	–	–	–	–	(507)	(507)
Share-based payment	–	–	–	–	–	417	–	–	–	417
Issue of shares in lieu of salary	–	–	–	–	–	–	–	–	–	–
Effect of share options modified	–	–	–	–	–	473	–	–	–	473
Effect of repricing of share options	–	–	–	–	–	–	–	–	–	–
Effect of options expired	–	–	–	–	–	(43)	–	–	43	–
Total transactions with owners	(15)	–	15	–	–	847	–	–	(33,715)	(32,868)
Balance at 31 December 2020	**5,157**	**21,077**	**638**	**5,024**	**25,748**	**15,139**	**–**	**(2,699)**	**81,976**	**152,060**

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2020

2019	Share capital US$'000	Share premium US$'000	Other un-denom-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	150,600	478,666	–	–	–	14,977	2,099	80	(416,122)	230,300
Total comprehensive income										
Profit 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 24)	(144,871)	(459,721)	–	5,024	–	–	–	–	599,568	–
Reduction of capital (Note 24)	(576)	–	576	–	–	–	–	–	(30,512)	(30,512)
Share buybacks (Note 24)	(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

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2020 – continued

2020	Share capital US$'000	Share premium US$'000	Other un-denom-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 2020	5,172	21,077	623	5,024	–	14,292	–	(2,505)	140,867	184,550
Total comprehensive income										
Loss for the year	–	–	–	–	–	–	–	–	(9,946)	(9,946)
Fair value movements in financial assets	–	–	–	–	–	–	–	–	–	–
Deferred tax on fair value movements in financial assets	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(9,946)	(9,946)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Tender offer and reduction of capital (Note 24)	–	–	–	–	–	–	–	–	–	–
Dividend payment (Note 25)	–	–	–	–	–	–	–	–	(33,251)	(33,251)
Reduction of capital (Note 24)	–	–	–	–	–	–	–	–	–	–
Share buybacks (Note 24)	(15)	–	15	–	–	–	–	–	(507)	(507)
Share-based payment	–	–	–	–	–	417	–	–	–	417
Issue of shares in lieu of salary	–	–	–	–	–	–	–	–	–	–
Effect of share options modified	–	–	–	–	–	473	–	–	–	473
Effect of repricing of share options	–	–	–	–	–	–	–	–	–	–
Effect of options expired	–	–	–	–	–	(43)	–	–	43	–
Total transactions with owners	(15)	–	15	–	–	847	–	–	(33,715)	(32,868)
Balance at 31 December 2020	**5,157**	**21,077**	**638**	**5,024**	**–**	**15,139**	**–**	**(2,505)**	**97,206**	**141,736**

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2020

	Notes	2020 US$'000	2019 US$'000 (Restated*)	2018 US$'000 (Restated*)
Assets				
Non-current assets				
Intangible assets	12	**–**	–	–
Equity accounted investments	13	**44,102**	44,798	54,012
Property, plant and equipment	14	**3,294**	4,344	1,964
Financial assets	17	**17,846**	2,963	124,876
Deferred tax asset	29	**–**	1,718	–
Other non-current assets	15	**–**	–	206
		65,242	53,823	181,058
Current assets				
Inventory	18	**183**	180	272
Trade and other receivables	19	**1,878**	987	2,440
Financial assets	17	**72,889**	112,252	57,611
Cash and cash equivalents	20	**18,510**	36,697	40,762
		93,460	150,116	101,085
Total assets		**158,702**	203,939	282,143
Equity and liabilities				
Equity				
Called up share capital	24	**5,157**	5,172	150,600
Share premium account	24	**21,077**	21,077	478,666
Other undenominated reserve		**638**	623	–
Special reserve	26	**5,024**	5,024	–
Share-based payments reserve	26 / 27	**15,139**	14,292	14,977
Shares to be issued reserve		**–**	–	2,099
Currency translation reserve	26	**25,748**	24,621	10,777
Fair value reserve	26	**(2,699)**	(2,505)	80
Retained earnings		**81,976**	127,544	(397,107)
Total equity attributable to equity shareholders		**152,060**	195,848	260,092
Non-current liabilities				
Lease liability	30	**2,428**	2,501	–
Derivative	22	**9**	128	659
Deferred tax liabilities	29	**518**	–	12,404
		2,955	2,629	13,063
Current liabilities				
Trade and other payables	21	**3,631**	5,406	8,228
Provisions	23	**56**	56	760
		3,687	5,462	8,988
Total liabilities		**6,642**	8,091	22,051
Total equity and liabilities		**158,702**	203,939	282,143

** See Note 13 for details on restated amounts.*

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Oisín Fanning, Director
28 June 2021

Lisa Mitchell, Director

Company statement of financial position

as at 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Assets			
Property, plant and equipment	14	**2,612**	3,066
Financial assets	17	**6,842**	2,769
Financial assets – investment in subsidiaries	16	**31,539**	31,539
Deferred tax asset	29	**–**	1,691
		40,993	39,065
Current assets			
Trade and other receivables	19	**19,992**	4,068
Financial assets	17	**68,925**	112,252
Cash and cash equivalents	20	**18,145**	36,388
		107,062	152,708
Total assets		**148,055**	191,773
Equity and liabilities			
Equity			
Called up share capital	24	**5,157**	5,172
Share premium account	24	**21,077**	21,077
Other un-denominated reserve		**638**	623
Special reserve	26	**5,024**	5,024
Share-based payments reserve	26 / 27	**15,139**	14,292
Fair value reserve	26	**(2,505)**	(2,505)
Retained earnings		**97,206**	140,867
Attributable to equity shareholders		**141,736**	184,550
Non-current liabilities			
Lease liability	30	**2,428**	2,501
Derivative	22	**9**	128
Deferred tax liabilities	29	**245**	–
		2,682	2,629
Current liabilities			
Trade and other payables	21	**3,637**	4,594
		3,637	4,594
Total liabilities		**6,319**	7,223
Total equity and liabilities		**148,055**	191,773

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Oisín Fanning, Director
28 June 2021

Lisa Mitchell, Director

Consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000 (Restated*)
Cash flows from operating activities			
Loss for the year – continuing operations		**(11,853)**	(44,622)
Adjustments for:			
Depletion and depreciation	*14*	**1,028**	960
Finance expense	*6*	**131**	144
Finance income	*7*	**(17,442)**	(24,123)
Share-based payments charge		**890**	1,069
Foreign exchange		**113**	(403)
Income tax expense	*10*	**2,248**	(14,079)
Impairment of exploration and evaluation assets – continuing operations	*12*	**196**	1,407
Expected credit losses	*8*	**13,692**	(3,465)
Loss on disposal of subsidiaries	*4*	**1,044**	13,770
Decommissioning payments	*23*	**–**	(702)
Fair value movements in financial assets	*17*	**(4,073)**	48,373
(Increase) / decrease in inventory	*18*	**(3)**	92
(Increase) / decrease in trade and other receivables		**(897)**	532
Decrease in trade and other payables		**(1,778)**	(3,876)
Share of loss of equity-accounted investments	*13*	**1,139**	9,214
Tax paid		**–**	(18)
Net cash outflow from operating activities		**(15,565)**	(15,727)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	*12*	**(196)**	(466)
Purchase of property, plant and equipment	*14*	**–**	(82)
Lease – prepaid rental	*30*	**–**	(231)
Loans repaid by Directors	*31*	**–**	727
Interest on Director's loan	*7*	**–**	1
Interest and investment income received	*7*	**47**	278
Acquisition of ELI Equity Interest	*17*	**(14,557)**	–
ELI Loan Notes	*13 / 17*	**(443)**	–
OML 18 Loan Notes principal payments received	*17*	**35,285**	23,361
OML 18 Loan Notes interest payments received	*17*	**11,215**	19,885
Net cash inflow from investing activities		**31,351**	43,473
Cash flows from financing activities			
Dividends paid	*25*	**(33,251)**	–
Share buybacks		**(507)**	(32,048)
Proceeds from issue of shares		**–**	99
Repayment of lease liability – principal		**(211)**	(192)
Interest paid	*6*	**(131)**	(144)
Net cash outflow from financing activities		**(34,100)**	(32,285)
Net decrease in cash and cash equivalents		**(18,314)**	(4,539)
Effect of foreign exchange fluctuation on cash and cash equivalents		**127**	474
Cash and cash equivalents at start of year	*20*	**36,697**	40,762
Cash and cash equivalents at end of year	*20*	**18,510**	36,697

** See Note 13 for details on restated amounts.*

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Company statement of cash flows

for the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Loss for the year		**(9,946)**	(12,284)
Adjustments for:			
Depletion and depreciation	14	**358**	343
Finance income	7	**(16,646)**	(24,123)
Finance expense		**131**	144
Share-based payments charge		**890**	1,069
Impairment / (reversal of impairment) of investment in subsidiaries and amounts due from Group undertakings		**4,020**	(6,943)
Fair value movements in financial assets	17	**(4,073)**	48,373
Expected credit losses	8	**13,307**	(3,465)
Foreign exchange		**76**	(678)
Income tax expense		**1,937**	(14,084)
(Increase) / decrease in trade and other receivables		**(926)**	130
Decrease in trade and other payables		**(968)**	(2,403)
Tax paid		**–**	(18)
Net cash outflow from operating activities		**(11,840)**	(13,939)
Cash flows from investing activities			
Advances to subsidiary companies		**(19,010)**	(2,160)
OML 18 Loan Notes principal payments received	17	**35,285**	23,361
OML 18 Loan Notes interest payments received	17	**11,215**	19,885
Loans repaid by Directors	31	**–**	727
Interest on Director's loan	7	**–**	1
Interest and investment income received	7	**47**	278
Lease – prepaid rental	30	**96**	(231)
Purchase of property, plant and equipment	14	**–**	(82)
Net cash inflow from investing activities		**27,633**	41,779
Cash flows from financing activities			
Dividends paid	25	**(33,251)**	–
Share buybacks		**(507)**	(32,048)
Proceeds of issue of shares		**–**	99
Repayment on lease obligations		**(211)**	(192)
Interest paid	6	**(131)**	(144)
Net cash outflow from financing activities		**(34,100)**	(32,285)
Net decrease in cash and cash equivalents		**(18,307)**	(4,445)
Effect of foreign exchange fluctuation on cash and cash equivalents		**64**	653
Cash and cash equivalents at start of year	20	**36,388**	40,180
Cash and cash equivalents at end of year	20	**18,145**	36,388

The accompanying notes on pages 62 to 118 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies

San Leon Energy plc ("the Company") is a company incorporated and domiciled in the Republic of Ireland. The Company's ordinary shares are admitted to trading on the AIM Market 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.

Statement of compliance

As required by AIM 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 2020 or were early adopted as indicated below.

New standards required by EU companies for the year ended 31 December 2020

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
Definition of material (Amendments to IAS 1 and IAS 8)	1 January 2020	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020	1 January 2020

The standards listed above, are effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

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
Covid-19 Related Rent Concessions (Amendment to IFRS 16)	1 June 2020	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021	1 January 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely	Effective date deferred indefinitely

New standards that came into effect on 1 January 2021 will be applied in the year ending 31 December 2021 first reporting to include these will be for the period ending 30 June 2021. The Directors do not believe that any of these standards will have a significant impact on Group and Company reporting.

Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for financial assets (net profit interests, 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 2021 to 31 December 2022.

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 2020 and the basis of the forecast for 2021 and 2022. 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 2020, Loan Note payments totalling US$195.6 million of both principal and interest have been made on behalf of MLPL. Since the reporting date, a further US$0.8 million has been received. Of the US$10.0 million due on 6 October 2020, a balance of US$4.2 million is still outstanding. Quarterly repayments are due to start from July 2021.
- Income from the provision of subsurface technical and management services of US$5.3 million in 2022.
- Ongoing exploration and administrative expenditure from the Group's existing activities are in line with current expectations and commitments.
- Repayments from ELI of loan notes of US$10.6 million during 2021 and 2022.
- OZA deal finalised in June 2021, with repayments of Loan Notes in 2022 of US$2.2 million.

Given the Group's well understood cost base, the principal uncertainty relates to the quantum and timing of receipt of interest and capital repayments on the Loan Notes with MLPL. It was originally envisaged that the MLPL 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 considered the impact of the Covid-19 pandemic, the volatility in oil prices and demand, OPEC quotas, and recent operational challenges being experienced by OML 18 upon the Company's indirect interest in OML 18, and upon the Loan Notes. The Directors are still confident in the operational potential and ultimately recovering the full amount of the outstanding Loan Notes, however due to the above issues management recognise the uncertainty in timing of future cash flows and for this reason the MLPL Loan Notes have been credit impaired.

The Directors have concluded, that whilst any MLPL Loan Note payments, if delayed or not received, represents an uncertainty, the receipt of any further MLPL Loan Note payment(s) is not required given other expected cash inflows considered in the assumptions, such as ELI Loan Note repayments, and mitigants such as the implementation of certain cost saving measures, to continue for a period of at least 12 months from the date of approval of the financial statements.

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 2020.

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.

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)

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Group (its subsidiaries). Control is defined as when the Group is exposed to or has the rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group. Intra-group balances and any unrealised gains and losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is defined as when the Group and Company 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.

1. Accounting policies continued

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.

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
Leased assets	Shorter of the term of lease or useful life of the asset as defined under IFRS 16

1. Accounting policies continued

Inventories

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

Joint ventures

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.

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.

1. Accounting policies continued

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 (including receivables)
The Group recognises loss allowances for expected credit losses ("ECL's") 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 based on forward looking analysis where a range of outcomes have been considered taking into account the size and timing of the contractual cash flows, the risk of late payment and the risk of default leading to less than full recovery of the amounts due. Lifetime ECL is calculated the same way, but over the relevant period.

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, however are uncertain of the timing of when these obligations will be met. The Company has therefore credit impaired the asset.

The Company has determined that ELI is likely to meet its credit obligations as evidenced by recent management information in relation to San Leon's interest in ELI.

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.

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.

1. Accounting policies continued

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.

i. Current tax

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.

ii. Deferred tax

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.

Unrecognised deferred tax assets are reassessed as each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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 2020 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.

Dividends

The Group has elected to classify cash flows from dividends paid as financing activities.

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.

Leases

As a lessee

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;
- 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.

1. Accounting policies continued

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.

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 Company 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

2020	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	–	–	–	–	–	–	–	–
Impairment of exploration and evaluation assets	–	–	(196)	–	–	–	–	(196)
Segment (loss) / profit before income tax	(2,093)	–	(196)	3,259	4,073	(59)	(14,589)	(9,605)
Property, plant and equipment	11	–	–	575	2,708	–	–	3,294
Equity accounted investments	–	–	–	44,102	–	–	–	44,102
Segment non-current assets	–	–	–	55,729	9,513	–	–	65,242
Segment liabilities	(83)	(18)	(804)	(4)	(3,279)	(748)	(1,706)	(6,642)

 # 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

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 (Restated*)
Total revenue	266	–	–	–	–	–	–	266
Impairment of exploration and evaluation assets	(126)	(150)	(190)	–	–	(941)	–	(1,407)
Segment (loss) / profit before income tax (Restated*)	(15,074)	1,134	(190)	17,565	(48,373)	(1,014)	(12,749)	(58,701)
Property, plant and equipment	32	–	–	1,476	2,836	–	–	4,344
Equity accounted investments (Restated*)	–	–	–	44,798	–	–	–	44,798
Segment non-current assets (Restated*)	32	–	–	46,043	7,554	–	194	53,823
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.
** See Note 13 for details on restated amounts.*

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

3. Other income

Group	**2020 US$'000**	2019 US$'000
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.

4. Loss on disposal of subsidiaries

	2020 US$'000	2019 US$'000
Other, recycling from equity to income statement (i)	**(1,044)**	(13,870)
Horizon Petroleum Ltd (ii)	**–**	100
	(1,044)	(13,770)

(i) Other
In 2020 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 of the foreign operations has resulted in the realisation of cumulative foreign currency losses of US$1.0 million (2019: US$13.9 million), that had previously been recognised in equity. The realisation of the cumulative foreign currency losses does not impact the consolidated assets or liabilities.

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

4. Loss on disposal of subsidiaries continued

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 as a contingent asset 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.

At 31 December 2020 and at the date of signing these accounts, the concessions have yet to be transformed and granted to Horizon.

5. Statutory information

(a) Group

	2020 US$'000	2019 US$'000
The loss for the financial year is stated after charging:		
Depreciation of property, plant, machinery and equipment	**1,028**	960
(Loss) / gain on foreign currencies	**(113)**	403
Impairment of exploration and evaluation assets	**196**	1,407
Share-based payment charge	**890**	1,068

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

Auditor's remuneration

	2020 US$'000	2019 US$'000
Fees paid to lead audit firm:		
Audit of the Group financial statements	**238**	191
Audit of the subsidiary financial statements	**69**	62
Total	**307**	253

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

	2020 US$'000	2019 US$'000
Fees paid to other firms:		
Audit of equity accounted investment	**48**	48
Total	**48**	48

5. Statutory information

(b) Company

	2020 US$'000	2019 US$'000
The loss for the financial year is stated after charging:		
Depreciation of property, plant, machinery and equipment	**358**	343
(Loss) / gain on foreign currencies	**(76)**	678
Auditor's remuneration – audit services	**238**	191

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$9.9 million (2019: a loss of US$12.3 million) has been recorded in the Parent Company.

6. Finance expense

	2020 US$'000	2019 US$'000
Interest on obligations for leases	**131**	144

7. Finance income

	2020 US$'000	2019 US$'000
Total finance income on Loan Notes (Note 17)	**17,276**	23,313
Movement in fair value of derivatives (Note 22)	**119**	531
Deposit interest received	**47**	278
Interest on Director's loan (Note 31)	**–**	1
	17,442	24,123

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

8. Expected credit losses

	2020 US$'000	2019 US$'000
OML 18 Loan Notes – impact of modification (Note 17)	**(5,857)**	–
OML 18 Loan Notes – net remeasurement of loss allowance (Note 17)	**(7,450)**	3,465
ELI Loan Notes – initial recognition (Note 17)	**(385)**	–
	(13,692)	3,465

9. Personnel expenses

Number of employees

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

	2020 Number	2019 Number
Directors	**8**	8
Administration	**10**	11
Technical	**1**	1
Seismic crew	**1**	4
	20	24

Employment costs (including Directors)

	2020 US$'000	2019 US$'000
Wages and salaries (excluding Directors)	**1,437**	1,625
Directors' salaries	**2,678**	2,579
Directors' bonuses	**1,172**	637
Social welfare costs	**428**	494
Directors' fees and consultancy costs	**607**	593
Termination payments	**–**	128
Share-based payment charge for options issued to Directors	**418**	492
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	**71**	35
Benefits (including Directors)	**59**	101
Directors' pension	**99**	102
	6,969	7,006

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$0.2 million (2019: US$0.1 million).

10. Income tax

	2020 US$'000	2019 US$'000 (Restated*)
Current tax		
Current year income tax	**12**	3
Deferred tax		
Origination and reversal of temporary differences (Note 29)	**893**	2,006
Deferred tax movement in Barryroe NPI (Note 29)	**1,343**	(16,064)
Deferred tax movement on fair value of other financial assets, Quoted shares	**–**	(24)
Total income tax charge / (credit)	**2,248**	(14,079)
Deferred tax relating to items charged / credited to equity		
Deferred tax movement on fair value of other financial assets, Unquoted shares	**–**	(40)
Total income tax charge / (credit)	**–**	(40)

** See Note 13 for details on restated amounts.*

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:

	2020 US$'000	2019 US$'000 (Restated*)
Loss before income tax	**(9,605)**	(58,701)
Tax on loss at applicable Irish corporation tax rate of 25% (2019: 25%)	**(2,401)**	(14,675)
Effects of:		
Tax effect at fair value adjustment	**326**	(3,870)
Prior year adjustment	**–**	(24)
Losses utilised in year	**(690)**	(2,006)
Expenses not deductible for tax purposes	**2,559**	4,771
Income tax withheld	**13**	3
Effect of different tax rates	**2**	–
Excess losses carried forward	**2,439**	1,722
Tax charge / (credit) for the year	**2,248**	(14,079)

** See Note 13 for details on restated amounts.*

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:

	2020 US$'000	2019 US$'000 (Restated*)
Loss for the year	**(11,853)**	(44,622)

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

	2020 Number of shares	2019 Number of shares
In issue at start of year (Note 24)	**451,303,014**	500,256,857
Shares to be issued at start of year	**–**	5,590,270
Effect of tender offer and buybacks in the year	**(1,332,865)**	(39,697,582)
Effect of shares issued and shares to be issued in the year	**–**	195,890
Weighted average number of ordinary shares in issue (basic)	**449,970,149**	466,345,435
Basic loss per ordinary share (cent)	**(2.63)**	(9.57)

** See Note 13 for details on restated amounts.*

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:

	2020 US$'000	2019 US$'000 (Restated*)
Loss for the year	**(11,853)**	(44,622)

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

	2020 Number of shares	2019 Number of shares
Basic weighted average number of shares in issue during the year	**449,970,149**	466,345,435
Effect of share options and warrants in issue	**–**	–
	449,970,149	466,345,435
Diluted loss per ordinary share (cent)	**(2.63)**	(9.57)

** See Note 13 for details on restated amounts.*

The number of options which are anti-dilutive and have therefore not been included in the above calculations is 41,221,626 (2019: 39,559,074).

12. Intangible assets

Group	Exploration and evaluation assets US$'000
Cost and net book value	
At 1 January 2019	–
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	–
Additions (ii)	196
Transfer from other non-current assets (Note 15)	–
Write off / impairment of exploration and evaluation assets	(196)
At 31 December 2020	**–**

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

	2020 US$'000	2019 US$'000
Spain	**–**	941
Albania	**196**	190
Morocco	**–**	150
Poland	**–**	126
	196	1,407

(ii) This is the net amount incurred by San Leon Energy and excludes amounts attributable to joint operating partners of US$Nil in 2020 (2019: US$Nil).

The Directors have considered the carrying value at 31 December 2020 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 2020.

13. Equity accounted investments

Group	2020 US$'000	2019 US$'000 (Restated*)	2018 US$'000 (Restated*)
Cost and net book value			
At 1 January	**44,798**	54,012	69,763
Additions (ELI)	**443**	–	–
Share of loss of equity accounted investments	**(1,139)**	(9,214)	(15,751)
At 31 December	**44,102**	44,798	54,012

The Group's only joint venture entities and associates at 31 December 2020 were as follows:

Name	Registered office	Type	% held
Midwestern Leon Petroleum Limited	5th Floor Barkly Wharf, Le Caudan Waterfront, Port Louis, Republic of Mauritius	Joint Venture	40%
Energy Link Infrastructure (Malta) Limited	260 Triq San Albert, Griza, GZR 1150, Malta	Associate	10%

2020

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

	Midwestern Leon Petroleum Limited (i)	Energy Link Infrastructure (Malta) Limited (ii)	**Total**
Equity Interest	40%	10%	
	US$'000	US$'000	**US$'000**
Loss from continuing operations	(2,440)	(2,804)	**(5,244)**
Total comprehensive loss	(2,440)	(2,804)	**(5,244)**
Non-current assets	198,948	147,922	**346,870**
Current assets (excluding cash)	286,687	167	**286,854**
Cash	–	46,334	**46,334**
Non-current liabilities	–	(141,458)	**(141,458)**
Current liabilities	(376,082)	(47,214)	**(423,296)**
Net assets	109,553	5,751	**115,304**
Group's interest in net assets of investee at 1 January 2020	44,798	–	**44,798**
Additions	–	443	**443**
Share of loss	(976)	(163)	**(1,139)**
Group's interest in net assets of investee at 31 December 2020	43,822	280	**44,102**

13. Equity accounted investments continued

2019

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

	Midwestern Leon Petroleum Limited (i)
Equity Interest	40%
	US$'000 (Restated*)
Loss from continuing operations	(23,035)
Total comprehensive loss	(23,035)
Non-current assets	186,642
Current assets (excluding cash)	262,444
Non-current liabilities	–
Current liabilities	(337,091)
Net assets	111,995
Group's interest in net assets of investee at 1 January 2019	54,012
Share of loss	(3,204)
Restatement of share of loss *	(6,010)
Group's interest in net assets of investee at 31 December 2019	44,798

2018

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

	Midwestern Leon Petroleum Limited (i)
Equity Interest	40%
	US$'000 (Restated*)
Loss from continuing operations	(35,046)
Total comprehensive loss	(39,378)
Non-current assets	201,148
Current assets (excluding cash)	242,749
Non-current liabilities	(48,259)
Current liabilities	(260,608)
Net assets	135,030
Group's interest in net assets of investee at 1 January 2018	69,763
Share of loss	(14,693)
Restatement of share of loss *	(1,058)
Group's interest in net assets of investee at 31 December 2018	54,012

(i) Midwestern Leon Petroleum Limited

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 2020 reflects a share of the loss of MLPL being administrative costs of US$9.7 million (2019: US$2.1 million), other income of US$nil (2019: US$7.2 million), net finance income / costs of US$3.3 million income (2019: US$5.5 million costs), profit on investment of US$12.2 million (2019: US$14.6 million loss (Restated*)), net impairment losses on financial assets of US$0.3 million (2019: US$nil) and a tax charge of US$7.9 million (2019: US$8.0 million).

13. Equity accounted investments continued

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, US$5.0 million of a US$10.0 million repayment due on 6 October 2020 was still outstanding at year end, 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$54/bbl in 2021, US$57/bbl in 2022, 2023 and 2024 and a subsequent long term price US$62/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 of 30% over the same period and an increase in the discount rate to 25%, 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.

** Restatements*
Restatement adjustments have been made in the 2019 comparative to reflect the following misstatements in MLPL's 100% owned subsidiary Martwestern Energy Limited ("Martwestern"), who in turn owns 50% of Eroton, which is recognised in Martwestern as an equity accounted investment:

- Correction of the treatment of dividend received on equity investment which had been recognised as income, resulting in an increase in the restated loss of US$2.5 million.
- Share of restated total comprehensive loss of the investee (Eroton) due to the recognition of leases, resulting in an increase in the restated loss of US$3.5 million.
- Share of receivable impairment in investee (Eroton) not previously recognised in Martwestern, resulting in an increase in the restated loss of US$1.1 million in 2018.

The earliest comparatives that required restatement for this error was in 2018.

The impact on the prior year financial statements is outlined below:

Income statement:
The impact of the restatement has resulted in the loss for the financial year increasing by US$6.0 million from a loss of US$38.6 million to a loss of US$44.6 million.

	US$'000
Loss for the financial year ended 31 December 2019 as disclosed in the 2019 Annual Report	(38,612)
Restatement of loss on equity accounted investments	(6,010)
Restated loss for the financial year ended 31 December 2019	**(44,622)**

Basic and diluted loss per ordinary share (cent)	
Basic and diluted loss per ordinary share (cent) for the financial year ended 31 December 2019 as disclosed in the 2019 Annual Report	(8.28)
Restatement of basic and diluted loss per ordinary share (cent) attributable to increase in loss on equity accounted investments	(1.29)
Restated basic and diluted loss per ordinary share (cent) for the financial year ended 31 December 2019	**(9.57)**

13. Equity accounted investments continued

Statement of Financial Position:
The impact of the restatement has resulted in lower Equity accounted investments.

	US$'000
Equity accounted investments as at 31 December 2019 as disclosed in the 2019 Annual Report	51,866
Restatement of 2018 loss on equity accounted investments	(1,058)
Restatement of 2019 loss on equity accounted investments	(6,010)
Restated Equity accounted investments for the financial year ended 31 December 2019	**44,798**

Cash flow statement:
The impact of the restatement has resulted in lower Equity accounted investments.

	US$'000
Share of loss of equity-accounted investments for the ended 31 December 2019 as disclosed in the 2019 Annual Report	(3,204)
Restatement of loss on equity accounted investments	(6,010)
Restated share of loss of equity-accounted investments for the financial year ended 31 December 2019	**(9,214)**

(ii) Energy Link Infrastructure (Malta) Limited

In August 2020 the Company acquired a 10% non-controlling interest in ELI (Malta) Limited (See Note 17(ii)). The movement during 2020 reflects a share of the loss of ELI being sales income of US$5.7 million, other income of US$0.1 million, cost of sales of US$4.9 million and operating expenses including administrative costs of US$3.7 million.

San Leon does not have control over the entity, however it has been determined to have significant influence. On this basis, the above interest is recognised as an equity accounted investment. Significant influence has been determined based on the Company having 10% of voting rights, a board position and a Shareholder Agreement requiring a majority, and in some instances a super majority (meaning 70% of votes are required to pass a resolution), to approve all operating decisions.

Under the terms of ELI's senior debt facility, the lender has a charge over all of the company's assets and, as further security, each shareholder (including San Leon Energy) has pledged their shares to the lender. The terms of the pledge are that the shares cannot be transferred or otherwise utilised without the lender's consent.

The Directors recognise that the future realisation of the equity accounted investment is dependent on completion of the pipeline and subsequent throughput of oil from various customers.

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 2019	–	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
Disposals	–	–	(111)	–	(111)
Currency translation adjustment	–	116	–	(15)	101
At 31 December 2020	**3,281**	**9,166**	**1,092**	**480**	**14,019**
Depreciation					
At 1 January 2019	–	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
Charge for the year	378	622	12	16	1,028
Disposals	–	–	(111)	–	(111)
Currency translation adjustment	–	122	16	(15)	123
At 31 December 2020	**707**	**8,547**	**1,055**	**416**	**10,725**
Net book values					
At 31 December 2020	**2,574**	**619**	**37**	**64**	**3,294**
At 31 December 2019	2,952	1,247	65	80	4,344

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 2019	–	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
Transfer to other company within the Group	(231)	–	–	(231)
At 31 December 2020	**3,050**	**548**	**82**	**3,680**
Depreciation				
At 1 January 2019	–	502	–	502
Charge for the year	329	12	2	343
At 31 December 2019	329	514	2	845
Charge for the year	330	12	16	358
Transfer to other company within the Group	(135)	–	–	(135)
At 31 December 2020	**524**	**526**	**18**	**1,068**
Net book values				
At 31 December 2020	**2,526**	**22**	**64**	**2,612**
At 31 December 2019	2,952	34	80	3,066

15. Other non-current assets

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Deposits on Spanish oil and gas concession applications (i)	**–**	–	**–**	–
Deposits on Spanish oil and gas concessions (i)	**–**	–	**–**	–
	–	–	**–**	–

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
At 1 January	**–**	206	**–**	–
Deposits retained by Ministry (i)	**–**	–	**–**	–
Transfer to intangible assets (i) (Note 12)	**–**	(206)	**–**	–
At 31 December	**–**	–	**–**	–

(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

	2020 US$'000	2019 US$'000
Investment in subsidiary undertakings at cost:		
Balance at beginning and end of year	**31,539**	31,539

San Leon Energy Nigeria B.V. holds the equity interest in MLPL. As per Note 13(i), the Group identified potential impairment indicators with respect to the equity interest. These same indicators are also impairment indicators for the Company's holding in San Leon Energy B.V. The same tests as detailed in Note 13(i) were carried out to assess the carrying value of the Company's investment in its subsidiary and the analysis identified that the carrying value of the investment in MLPL is not impaired.

At 31 December 2020, 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	Principal activities	Country of Incorporation
Directly held:			
San Leon Energy B.V.	de Ronge 16, 1852 XB Heiloo The Netherlands	Holding company	Netherlands
San Leon Services Limited	12 Castle Street St. Helier, Jersey, JE2 3RT	Service company	Jersey
San Leon Energy Nigeria B.V.	de Ronge 16, 1852 XB Heiloo The Netherlands	Holding company	Netherlands
San Leon Energy Financing Limited	2 Shelbourne Buildings, Crampton Avenue, Shelbourne Road, Ballsbridge, Dublin 4	Financing company	Ireland
San Leon Holdings Limited	27/28 Eastcastle Street, London, England, W1W 8DH	Holding company	England
Indirectly held:			
San Leon Nigeria Limited	No. 801, Eden Heights, 6 Elsie Femi Pearse Street, Victoria Island, Lagos, Nigeria	Service company	Nigeria
San Leon Energy (UK) Limited	27/28 Eastcastle Street, London, England, W1W 8DH	Service company	England
San Leon Energy Eli Limited	27/28 Eastcastle Street, London, England, W1W 8DH	Holding company	England
San Leon Energy Oza Limited	27/28 Eastcastle Street, London, England, W1W 8DH	Holding company	England

A full list of subsidiaries will be annexed to the Annual Report of the Company to be filed with the Irish Registrar of Companies.

17. Financial assets

Group	OML 18 (i) US$'000 Amortised cost	ELI (ii) US$'000 Amortised cost	Barryroe 4.5% net profit interest (iii) US$'000 FVTPL	Unquoted shares (iv) (viii) US$'000 FVOCI – equity instrument	Total US$'000
Cost / Valuation					
At 1 January 2019	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
Net fair value of acquisition of ELI Loan Notes	–	14,557	–	–	14,557
Finance income	16,480	796	–	–	17,276
Loan Notes receipts – principal	(35,285)	–	–	–	(35,285)
Loan Notes receipts – interest	(11,215)	–	–	–	(11,215)
Lifetime ECL – credit-impaired #	(15,309)	–	–	–	(15,309)
Impairment of unquoted shares, Other comprehensive income	–	–	–	(194)	(194)
Fair value movement, Income statement	–	–	4,073	–	4,073
At 31 December 2020	**68,925**	**15,353**	**6,842**	**–**	**91,120**
Expected Credit Loss Provision					
At 1 January 2019 and 31 December 2019		–	–	–	–
New financial asset acquired *		(385)	–	–	(385)
At 31 December 2020		**(385)**	**–**	**–**	**(385)**

 # See OML18 ECL table below.
** See ELI ECL table below.*

Expected Credit Loss – OML 18	Performing 12-month ECL	Higher risk assets not credit impaired Lifetime ECL	Credit impaired Lifetime ECL	Total
At 1 January 2019	–	(5,467)	–	(5,467)
Net remeasurement of loss allowance	–	3,465	–	3,465
At 31 December 2019	–	(2,002)	–	(2,002)
Impact of modification	–	(5,857)	–	(5,857)
Net remeasurement of loss allowance	–	(7,450)	–	(7,450)
Transfer to lifetime ECL – credit-impaired	–	15,309	(15,309)	–
At 31 December 2020	**–**	**–**	**(15,309)**	**(15,309)**

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17. Financial assets continued

Expected Credit Loss – ELI	Performing 12-month ECL	Higher risk assets not credit impaired Lifetime ECL	Credit impaired Lifetime ECL	Total
At 1 January 2019 and 31 December 2019	–	–	–	–
New financial assets originated	(385)	–	–	(385)
At 31 December 2020	**(385)**	**–**	**–**	**(385)**

	OML 18 (i) US$'000	ELI (ii) US$'000	Barryroe 4.5% net profit interest (iii) US$'000	Unquoted shares (iv) (viii) US$'000	
	Amortised cost	Amortised cost	FVTPL	FVOCI – equity instrument	Total US$'000
Book value at 31 December 2020	**68,925**	**14,968**	**6,842**	**–**	**90,735**
Current	**68,925**	**3,964**	**–**	**–**	**72,889**
Non-current	**–**	**11,004**	**6,842**	**–**	**17,846**
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

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

	OML 18 (i) US$'000	Barryroe 4.5% net profit interest (iii) US$'000	Unquoted shares (iv) US$'000	
Company	Amortised cost	FVTPL	FVOCI – equity instrument	Total US$'000
Cost / Valuation				
At 1 January 2019	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
Finance income	16,480	–	–	16,480
Loan Notes receipts – principal	(35,285)	–	–	(35,285)
Loan Notes receipts – interest	(11,215)	–	–	(11,215)
Lifetime ECL – credit-impaired #	(15,309)	–	–	(15,309)
Impairment of unquoted shares	–	–	–	–
Fair value movement, Income statement	–	4,073	–	4,073
At 31 December 2020	**68,925**	**6,842**	**–**	**75,767**
Expected Credit Loss Provision				
At 1 January 2019, 31 December 2019 and 31 December 2020		–	–	–

 # See OML18 ECL table below.

17. Financial assets continued

Expected Credit Loss – OML 18	Performing 12-month ECL	Higher risk assets not credit impaired Lifetime ECL	Credit impaired Lifetime ECL	Total
At 1 January 2019	–	(5,467)	–	(5,467)
Net remeasurement of loss allowance	–	3,465	–	3,465
At 31 December 2019	–	(2,002)	–	(2,002)
Impact of modification	–	(5,857)	–	(5,857)
Net remeasurement of loss allowance	–	(7,450)	–	(7,450)
Transfer to lifetime ECL – credit-impaired	–	15,309	(15,309)	–
At 31 December 2020	**–**	**–**	**(15,309)**	**(15,309)**

	OML 18 (i) US$'000	Barryroe 4.5% net profit interest (iii) US$'000	Unquoted shares (iv) US$'000	
Company	Amortised cost	FVTPL	FVOCI – equity instrument	Total US$'000
Book value at 31 December 2020	**68,925**	**6,842**	**–**	**75,767**
Current	**68,925**	**–**	**–**	**68,925**
Non-current	**–**	**6,842**	**–**	**6,842**
Book value at 31 December 2019	112,252	2,769	–	115,021
Current	112,252	–	–	112,252
Non-current	–	2,769	–	2,769

(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.

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.

17. Financial assets continued

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 31 December 2021 (2019: 30 September 2020).	Nil

** Day 1 and considered appropriate at 31 December 2020.*

The business model for the MLPL loan is to hold to collect. The Loan Notes are accounted for at amortised cost.

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.

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). Under the terms of the Agreement, US$10.0 million was due to 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 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 Agreement with MLPL was accounted for as a modification of the financial asset which did not give rise to derecognition. A loss of US$2.5 million was recognised in respect of the change in present value of the revised cash flows discounted at the original effective interest rate.

During 2020 San Leon received total payments under the Loan Notes of US$46.5 million (2019: US$43.2 million). The payments received during 2020 represent principal of US$35.3 million (2019: US$23.3 million) and interest of US$11.2 million (2019: US$19.9 million) on the Loan Notes repaid. As at 31 December 2020 there was US$84.2 million in principal and interest (2019: US$114.3 million), due under the Loan Notes. As at 31 December 2020, US$5.0 million was outstanding from the US$10.0 million due to be repaid on 6 October 2020. Since then, US$0.8 million of the balance outstanding has been received.

** Refer to Alternate Performance Measures on page 119 for full reconciliation of IFRS numbers and Alternative Performance Measures.*

17. Financial assets continued

The Directors of San Leon have considered the credit risk of the Loan Notes at 31 December 2019 and 31 December 2020. 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. At 31 December 2019 a provision for the lifetime expected credit loss of the Loan Notes had been recognised. In 2020, issues such as the impact of the Covid-19 pandemic on the global economy, the volatility in oil prices and demand, OPEC quotas, and recent operational challenges experienced by OML 18 resulted in a significant loss being recorded in MLPL at 31 December 2020. This, along with ongoing production issues at the field has impacted the financial strength of MLPL, particularly in respect of short-term liquidity.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss. This was assessed as having increased significantly since initial recognition, and is now considered to have increased further during the year ended 31 December 2020.

Management are still confident in the operational potential of OML 18 and ultimately recovering the full amount of the outstanding Loan Notes, however due to the above issues management are unable to determine the timing of future cash flows and for this reason the Loan Notes are now considered credit impaired.

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. The Directors have considered the credit risk of MLPL, in particular in light of the Covid-19 pandemic and the resultant impact on the oil price and demand, as well as ongoing short term production issues. As a result, the credit risk has been determined to have increased since 31 December 2019 and the Loan Notes are now considered to be impaired. In previous periods an annualised expected credit loss of 3.11% was applied to the amount outstanding on the Loan Notes. This rate was determined on the basis of long-term historical default rates of loans originated in similar geography and industry. A default rate determined by reference to historical default rates has been determined to be less appropriate in the current environment as a result of the uncertainty created by the Covid-19 pandemic and ongoing operational issues. In addition, the change in profile of the repayments due under the Loan Notes, arising as a result of the amendments to the Loan Notes agreed in April 2020, means that an expected default risk taking into account the timing of the payments is now also appropriate. An impairment has been estimated based on a forward looking analysis where a range of outcomes has been considered taking into account the size and timing of the contractual cash flows, the risk of late payment and the risk of default leading to less than full recovery of the amounts due in respect of the Loan Notes. The Directors have considered the possible scenarios and used their judgement to estimate a weighted average outcome of these scenarios. The impairment is calculated as the difference between the present value of the weighted average of possible outcomes (discounted at the effective interest rate of the Loan Notes) and the present value of the contractual cash flows. This has then been compared to publicly available macroeconomic data of default rates by geography and industry.

As at 31 December 2020 the Loan Notes are considered credit impaired. The expected credit loss of US$15.3 million (2019: US$2.0 million) has been presented net with the amortised cost of the Loan Notes.

(ii) Energy Link Infrastructure (Malta) Limited

In August 2020, the Company acquired an indirect economic interest in the Alternate Crude Oil Evacuation System ("ACOES") project.

The interest was acquired through the direct investment in Energy Link Infrastructure (Malta) Limited ("ELI"), a company incorporated in Malta, which owns the ACOES project through its 100% owned subsidiary Energy Link Infrastructure (Nigeria) Limited, a company incorporated in Nigeria.

The investment comprises a 10% equity interest in ELI together with a US$15.0 million shareholder loan at a coupon of 14% per annum over 4 years, and repayable quarterly following a one year moratorium from the date of investment. Funds were provided to ELI in two tranches with the first US$10.0 million tranche being paid in August, and the second tranche of US$5.0 million on 6 October 2020, being half of the funds due from Midwestern Leon Petroleum Limited as part of the repayment of the MLPL Loan Notes.

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

	Total US$'000
Total consideration	**15,000**
Fair value of Loan Notes attributable to equity investment #	**(443)**
Net fair value of Loan Notes	**14,557**

 # 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 2% above the coupon rate of 14% over the term of the Loan Notes, giving an effective interest rate of 16%.

17. Financial assets continued

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 16% based on a market rate of interest of 2% above the coupon rate of 14%. • ELI ability to generate cash flows for timely repayment. • Loan Notes are repayable in full by 6 October 2021.	Nil

* *Day 1 and considered appropriate at 31 December 2020.*

The intention for the ELI loan is to hold to collect.

The credit risk is managed via various undertakings, such as representations, warranties and covenants and the ability for a preferential distribution should some warranties be breached. These are described further in Note 31. Given the nature and stage of the asset the main credit risk is regarded as the timing of payments by ELI Malta which is dependent on dividend distributions by ELI Nigeria rather than being unable to pay the total quantum due under the Loan Notes. Currently the Loan Notes are in good standing with the first repayment due on 31 July 2021.

During 2020 San Leon was not due any contractual repayments of the Loan Notes. As at 31 December 2020 there was US$15.4 million in principal and interest, due under the Loan Notes.

The Directors of San Leon have considered the credit risk of the Loan Notes at 31 December 2020. Both tranches of the Loan Notes were issued in H2 2020, with a one year repayment holiday. The first repayment due is on 31 July 2021 and therefore the Loan Notes are currently in good standing. Despite some project delays due to the impacts of Covid-19, it is not expected that this would impact the ability of ELI to make Loan Note repayments, with current projections indicating that all debt will be serviced in accordance with contract expectations. The Directors do not consider the credit risk has significantly increased since initial recognition, and a provision for a 12-month expected credit loss of the Loan Notes has been recognised.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss and, this has been assessed as not having increased significantly since initial recognition. A factor that has been considered to reduce overall credit risk is a guarantee from ELI Nigeria, who guarantee all payment obligations of ELI Malta.

An expected credit loss provision has been estimated based on a forward looking analysis where a range of outcomes has been considered taking into account the size and timing of the contractual cash flows, the risk of late payment and the risk of default leading to less than full recovery of the amounts due in respect of the Loan Notes. The Directors have considered the possible scenarios and used their judgement to estimate a weighted average outcome of these scenarios. The ECL provision is calculated as the difference between the present value of the weighted average of possible outcomes (discounted at the effective interest rate of the Loan Notes) and the present value of the contractual cash flows. This has then been compared to publicly available macroeconomic data of default rates by geography, industry and rating.

The Company determined that the expected credit loss provision of US$0.4 million, being 2.6% of the balance at acquisition was appropriate.

(iii) Barryroe – 4.5% Net Profit Interest

SLE holds a 4.5% Net Profit Interest in the Barryroe ("Barryroe NPI") oil field at fair value through profit and loss under IFRS 9. In 2019 a market-based valuation approach was adopted, using the price of the publicly listed shares of Providence Resources plc ("Providence") (operator and holder of an 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.

17. Financial assets continued

The 2020 announcements by Providence in relation to Standard Exploration Licence 1/11 which contains the Barryroe oil accumulation indicated that a partner for the project had now been found, which had reduced project risk around both funding and timing of the potential development of the asset.

Given the latest announcements, the Directors have reviewed the modelling assumptions and consider it reasonable and appropriate to continue to use a market based approach to increase the Barryroe carrying value by US$4.0 million (2019: impairment of US$48.4 million) to US$6.8 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)	• Estimated value of NPI as percentage of total field NPV 9.5% (2019: 9.5%)	The estimated fair value would increase / (decrease) if: • US Dollar exchange rate increased / (decreased)

(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 2020 and given the length of time to obtain Irish government approval for the transaction, the Directors feel it is prudent to continue to carry the 15% of Ardilaun shares still to be issued to San Leon at a value of US$Nil (2019: US$Nil).

(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% Net Profit Interest ("NPI"). Until active development commences a nil value has been placed on the NPI. There has been no change in 2020.

(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. There has been no change in 2020.

(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% NPI. Until active development commences a nil value has been placed on the NPI. There has been no change in 2020.

(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.

(ix) Amedeo Resources plc

At 31 December 2020, the Company holds 213,512 ordinary shares at a market value of US$Nil (2019: US$Nil). The value of the investment was written down to nil in 2018 due to the shares of Amedeo Resources plc being de-listed.

18. Inventory

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Spare parts and consumables	**183**	180	**–**	–

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

19. Trade and other receivables

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Amounts falling due within one year:				
Amounts owed by Group undertakings (i)	**–**	–	**122,417**	103,236
Expected credit loss on amounts owed by Group undertakings (i)	**–**	–	**(104,240)**	(100,059)
Net amounts owed by Group undertakings	**–**	–	**18,177**	3,177
Trade receivables	**2**	2	**–**	–
Corporation tax refundable	**39**	52	**48**	52
VAT and other taxes refundable	**88**	134	**28**	63
Other debtors (ii)	**4,264**	4,242	**726**	696
Expected credit loss on other debtors (ii)	**(3,532)**	(3,532)	**–**	–
Prepayments (iii)	**1,017**	89	**1,013**	80
	1,878	987	**19,992**	4,068

(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$6.9 million (2019: US$6.2 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 2020, the Company is owed US$122.4 million (2019: US$103.2 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$104.2 million (2019: US$100.1 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 2020.

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

(iii) Prepayments includes an amount of US$0.8m in relation to the Oza deal, detailed in Subsequent Events (Note 33).

20. Cash and cash equivalents

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Cash and cash equivalents	**11,757**	36,197	**11,392**	35,888
Solicitor client account (i)	**6,753**	500	**6,753**	500
	18,510	36,697	**18,145**	36,388

(i) Solicitor client account at 31 December 2020 represents monies held on behalf of the Company by Adepetun Caxton-Martins Agbor & Segun in relation to the Oza deal, detailed in Subsequent Events (Note 33) (2019: David M. Turner & Company Solicitors).

21. Trade and other payables

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Current				
Trade payables	**719**	1,608	**187**	329
Amounts owed to Group undertakings (i)	**–**	–	**2,413**	2,401
PAYE / PRSI	**295**	215	**136**	116
Other creditors	**36**	158	**2**	71
Accruals	**2,248**	3,092	**566**	1,344
Current portion of lease	**333**	333	**333**	333
	3,631	5,406	**3,637**	4,594

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

22. Derivative

	Group		Company	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Non-current				
Derivative	**9**	128	**9**	128
	9	128	**9**	128

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 £0.45 (2019: £0.30 to £0.60)	The estimated fair value would increase / (decrease) if:
	Average maturity of 0 to 1 year (2019: 1 to 2 years)	The share price increased / (decreased)
	Risk-free interest rate of 0.055% (2019: 0.055%)	Sterling exchange rate increased / (decreased)
	Share price volatility of 62% (2019: 62%)	The risk free interest rate increased / (decreased)

The derivative is in relation to options and warrants that were issued in connection with financing provided to the Company between 2016 and 2018.

23. Provisions for liabilities

Group	Decommissioning US$'000
At 1 January 2019	760
Currency translation adjustment	(2)
Paid during the year	(702)
At 31 December 2019	56
Currency translation adjustment	–
Paid during the year	–
At 31 December 2020	**56**
Current	**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.

24. 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
At 31 December 2020	**2,847,406,025**	**–**	**177,475**

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 2019	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
Share buybacks	(1,389,988)	–	(15)	–
At 31 December 2020	**449,913,026**	**–**	**5,157**	**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.

24. Share capital – Group and Company continued

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").

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 2020 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.

25. Dividends paid

In May 2020, the Company returned a special dividend to its shareholders of £0.06 per share, totalling US$33.3 million (£27.0 million).

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$1.0 million (2019: US$13.9 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 24, 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.

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$891,263 (2019: US$1,068,601) includes the charge for options issued to the Directors of US$418,048 (2019: US$607,635) and shares to be issued to Directors of US$Nil (2019: US$Nil).

27. Share-based payments continued

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

	2020		2019	
	Number of options / warrants	**Weighted average exercise price**	Number of options / warrants	Weighted average exercise price
Balance at beginning of the financial year	40,559,075	£0.400	39,035,025	£0.620
Granted during the financial year	1,000,000	£0.450	2,000,000	£0.450
Modified during the financial year *	–	£0.393	–	£0.450
Expired or cancelled during the financial year	(337,448)	£0.592	(225,950)	£9.337
Exercised during the financial year	–	–	(250,000)	£0.300
Balance at end of the financial year	41,221,627	£0.397	40,559,075	£0.400
Exercisable at end of the financial year	41,221,627	£0.397	40,559,075	£0.400

The range of exercise prices of outstanding options/warrants at year end is £0.25 to £0.45 (2019: £0.25 to £0.60).

* On 26 February 2020 the Company repriced 1,500,000 options from £0.45 to £0.35, the expiry date of these options was also extended from 26 February 2020 by 4 years to 26 February 2024. The resulting charge for the year was US$326,581.

* On 2 October 2020 the Company extended the expiry date of 2,222,222 options by 5 years to 2 October 2025. This resulted in a charge for the year of US$146,635.

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 2020 is 2.94 years (2019: 3.53 years).

During the current year no options were exercised (2019: 250,000 options at £0.25).

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	10,000	£0.45	2021
Warrants	300,000	£0.30	2021
Warrants	750,000	£0.45	2021
Options	6,750,000	£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	1,500,000	£0.35	2024
Options	125,000	£0.45	2024
Options	3,222,222	£0.45	2025
Options	1,000,000	£0.45	2026
Options	2,000,000	£0.45	2027
Total	**41,221,627**		

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 2020 and 2019, and the repricing of the options in 2019:

	2020	2019
Weighted average fair value of options granted during year	**£0.25**	£0.20
Weighted average share price of options at date of grant	**£0.39**	£0.28
Dividend yield	**0.00%**	0.00%
Exercise price	**£0.45**	£0.45
Expected volatility	**72%**	48% – 90%
Risk-free interest rate	**0.55%**	0.55% – 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 2020 US$'000	Total 2019 US$'000
Payable:		
Within one year	**369**	340
Between one and five years	**1,472**	1,348
Over five years	**1,718**	1,910
	3,559	3,598

Company	Total 2020 US$'000	Total 2019 US$'000
Payable:		
Within one year	**369**	337
Between one and five years	**1,472**	1,348
Over five years	**1,718**	1,910
	3,559	3,595

28. Commitments and contingencies continued

(b) Decklar Petroleum Limited

On 1 September 2020, the Company announced that it had conditionally agreed to invest US$7.5 million by way of a loan to Decklar Petroleum Limited, who is the holder of a Risk Service Agreement with Millenium Oil and Gas Company Limited on the Oza marginal field, carved out of OML 11, onshore Nigeria. Under the agreements, if completed, the Company will also receive a 15% interest in Decklar for a nominal amount paid. This transaction is still awaiting final conditions precedents to complete.

(c) Exploration, evaluation and development activities

The Group has commitments of US$Nil (2019: US$Nil) in the year ended 31 December 2020 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

(d) Horizon Petroleum Ltd

The Group has a contingent asset, the consideration is 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:

	Assets		Liabilities		Net	
Group	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Financial assets – IFRS 9	**–**	–	**(1,416)**	(73)	**(1,416)**	(73)
Financial assets – other	**175**	175	**–**	–	**175**	175
Unrealised exchange difference	**–**	–	**(4)**	–	**(4)**	–
Interest not taxable until received	**–**	–	**(199)**	–	**(199)**	–
Tax losses recognised	**926**	1,616	**–**	–	**926**	1,616
	1,101	1,791	**(1,619)**	(73)	**(518)**	1,718

	2020 US$'000	2019 US$'000
At 1 January	**1,718**	(12,404)
Deferred tax on fair value movements in financial assets IFRS 9, Barryroe NPI (Note 10)	**(1,343)**	16,064
Origination and reversal of temporary differences (Note 10)	**(893)**	(2,006)
Deferred tax on fair value of other financial assets, Quoted shares	**–**	64
At 31 December	**(518)**	1,718

	Assets		Liabilities		Net	
Company	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Financial assets – net profit Interest	**–**	–	**(1,416)**	(73)	**(1,416)**	(73)
Financial assets – other	**175**	175	**–**	–	**175**	175
Tax losses recognised	**996**	1,589	**–**	–	**996**	1,589
	1,171	1,764	**(1,416)**	(73)	**(245)**	1,691

29. Deferred tax continued

Unrecognised deferred tax assets

Group	2020 US$'000	2019 US$'000
Tax losses	**8,631**	15,031
Capitalised expenditure	**33,101**	32,764
	41,732	47,795

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

Statement of Financial Position

Group	2020 US$'000	2019 US$'000
Right of use asset (included within Property, plant and equipment)		
Property leases		
At 1 January	**2,952**	3,050
Additions	**–**	231
Depreciation charge for the period	**(378)**	(329)
Closing net carrying amount	**2,574**	2,952
Lease liability		
Property leases		
At 1 January	**2,834**	3,050
Payments – principal	**(211)**	(192)
Payments – interest	**(131)**	(144)
Currency translation adjustment	**138**	(24)
Interest	**131**	144
Closing net carrying amount	**2,761**	2,834
Current	**333**	333
Non-current	**2,428**	2,501

30. Leases continued

Company	2020 US$'000	2019 US$'000
Right of use asset (included within Property, plant and equipment)		
Property leases		
At 1 January	**2,952**	3,050
Additions	**–**	231
Transfer to other company within the Group	**(96)**	–
Depreciation charge for the period	**(330)**	(329)
Closing net carrying amount	**2,526**	2,952
Lease liability		
Property leases		
At 1 January	**2,834**	3,050
Payments – principal	**(211)**	(192)
Payments – interest	**(131)**	(144)
Currency translation adjustment	**138**	(24)
Interest	**131**	144
Closing net carrying amount	**2,761**	2,834
Current	**333**	333
Non-current	**2,428**	2,501

Income Statement

Group	2020 US$'000	2019 US$'000
Right of use asset (included within Property, plant and equipment)		
Property leases		
Depreciation charge	**378**	329
Interest expense	**131**	144
Expenses relating to low-value leases	**–**	60
Total	**509**	533

Company	2020 US$'000	2019 US$'000
Right of use asset (included within Property, plant and equipment)		
Property leases		
Depreciation charge	**330**	329
Interest expense	**131**	144
Expenses relating to low-value leases	**–**	60
Total	**461**	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$409,000 is included in other receivables (Note 19) and is refundable when the Company either exercises or terminates the option. Mr. Fanning was paid US$215,999 (2019: US$221,195) rent for the use of this property during the year by the Company.

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

Shares issued in lieu of salary

On 25 February 2019, Mr. 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.

Director change in Shareholding

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

On 23 December 2020 the Company announced that it had been informed that Mr. Fanning had been unable to secure the necessary funding for the above share purchase. Consequently, settlement of the share purchase did not occur. Following this, Mr. Fanning owns 9,495,864 ordinary shares in the Company, representing 2.1% of the issued share capital of the Company.

Greenbay Energy Resources Limited

San Leon Energy plc and Greenbay Energy Limited have a common Director, Mr. Mutiu Sunmonu. San Leon has a consultancy agreement with Greenbay Energy Limited which was paid US$95,181 for amounts due for 2020 (2019: US$90,098). 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 Mr. 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$231,000 for the period 1 July 2019 to 30 June 2021 of which US$115,500 relates to 2020 (2019: US$57,750 for the period 1 July to 31 December). 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.

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

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

The total cash consideration due to the Company for the sale of its 35% interest in TSH was US$9.0 million, of which US$4.5 million was received in November 2016. The balance of US$4.5 million plus accrued interest (the "Amount Due") was due to paid to San Leon on or before 1 October 2017. As announced on 2 January 2018 under a novation agreement and extension agreement dated 22 December 2017, the Amount Due is now the full responsibility of NSP Investments Holdings Ltd, a BVI registered company that holds a 35% interest in TSH. San Leon also announced that it had received a further US$1.5 million payment of the Amount Due. The Company 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 2020 this position has not changed.

31. Related party transactions continued

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. This sale was not completed and on 22 December 2020 the Company was informed that funds managed by Tosca Asset Management LLP held 330,570,719 ordinary shares in the Company at that date.

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 and any other debt 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$2.0 million was recognised at 31 December 2019. Due to uncertainty around the timing of repayments, the Company has impaired the Loan Notes, netting the expected credit loss of US$2.0 million against the gross amortised value and recognising an impairment charge of US$15.8 million at 31 December 2020.

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.

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.

31. Related party transactions continued

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 B.V. 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 2022.

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 loan agreements similar to those entered into in 2018 to continue to make the repayments during 2019.

2020

During 2020 San Leon received total payments under the Loan Notes totalling US$46.5 million. MLPL used loan agreements similar to those entered into in 2019 to continue to make the repayments during 2020.

Key management

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

	2020 US$'000	2019 US$'000
Salary and emoluments	**2,678**	2,579
Bonuses	**1,172**	637
Social welfare costs	**282**	289
Fees and consulting services	**607**	593
Termination payments	**–**	128
Pension	**99**	102
Benefits	**44**	33
Share-based payment charge on repricing of options issued to Directors	**–**	116
Share-based payment expense	**418**	492
	5,300	4,969

31. Related party transactions continued

Company

Transactions with subsidiaries and associates

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 2020, the Company is owed US$122.4 million (2019: US$103.2 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$104.2 million (2019: US$100.1 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 (2019: US$2.4 million) to subsidiaries in respect of funds received by and services provided to the Company.

	US$'000
Loss allowance at 31 December 2019	100,059
Expected credit losses released	4,181
Loss allowance at 31 December 2020	**104,240**

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 – Financial assets 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; and
- 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, and Moroccan Dirhams. 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 2020 and 2019, 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 2020, 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	810	261	30	–	–
Trade and other payables	(427)	(1,861)	(27)	–	–
Provisions	–	(56)	–	–	–
Cash and cash equivalents	1,332	208	115	–	1
Total 2020	**1,715**	**(1,448)**	**118**	**–**	**1**

At 31 December 2019, 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
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 2020, 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	808	3,398	–	–	–
Trade and other payables	(225)	(2,908)	–	–	–
Cash and cash equivalents	1,134	172	–	–	1
Total 2020	**1,717**	**662**	**–**	**–**	**1**

At 31 December 2019, 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
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

32. Financial instruments and financial risk management continued

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

	2020		2019	
	Average rate	**Closing rate**	Average rate	Closing rate
Sterling	**0.778085**	**0.732646**	0.784092	0.757344
Euro	**0.873668**	**0.814930**	0.893276	0.890155
Polish Zloty	**3.887568**	**3.715834**	3.838961	3.789211
Canadian Dollars	**1.338696**	**1.273979**	1.326942	1.299448
Moroccan Dirhams	**9.237400**	**8.910443**	9.564350	9.534350

Sensitivity analysis

If the US Dollar increased by 1% in value against the above currencies, the Group's loss for the year would increase and equity at year end would decrease by US$3,773. If the US Dollar decreased 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$3,810.

If the US Dollar increased by 1% in value against the above currencies, the Company's loss for the year would increase and equity at year end would decrease by US$23,560. If the US Dollar decreased by 1% in value against the above currencies, the Company's loss for the year would decrease and equity at year end would increase by US$23,795.

(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 OML 18 and ELI.

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 2020 was US$20.6 million (2019: US$37.9 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 2020 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 further loan 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 previously 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 expected to repay all interest and principal due under the loan agreement, however it is currently experiencing short term cash flow issues which makes it challenging to predict when repayments will be made. The increase in credit risk is due to the uncertainty in timing of when Loan Note repayments are received. It 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 credit impairment. This risk has previously been assessed as having increased significantly since initial recognition, and is considered to have increased further during the year ended 31 December 2020.

As the asset is determined to be credit-impaired, the lifetime expected credit loss has been presented net against the gross carrying value of the Loan Notes balance 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 credit impairment for this asset is set out in Note 17.

The Directors have considered the impact of Covid-19, the impact on oil price and demand and short term production issues on the Loan Notes and associated credit risk, all of which are tied to the performance of the OML 18 asset. The short term production issues are expected to delay Eroton's ability to return to full production and benefit from the recovery in the oil price, with the overall effect likely to be short term cash flow issues resulting in a delay in receiving distributions from Eroton via MLPL. The Directors have therefore concluded that the risk profile of the Loan Notes has increased.

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

The following table provides information about the exposure to credit risk and expected credit losses of the OML 18 Loan Notes as at 31 December 2020.

Equivalent to Moody's credit rating	Weighted average loss rate	Gross carrying amount US$000	Impairment loss allowance US$000	Credit impaired
Lower than BBB	**18.17%**	**84,234**	**15,309**	**Yes**

The following table provides information about the exposure to credit risk and expected credit losses of the OML 18 Loan Notes as at 31 December 2019.

Equivalent to Moody's credit rating	Weighted average loss rate	Gross carrying amount US$000	Impairment loss allowance US$000	Credit impaired
Lower than BBB	1.75%	114,254	2,002	No

ELI

The ELI transaction comprises a US$15.0 million shareholder loan as detailed in Note 17. The credit risk is managed via various undertakings, such as representations, warranties and covenants and the ability for a preferential distribution should some warranties be breached. Given the nature and stage of the asset the main credit risk is regarded as the timing of payments by ELI Malta which is dependent on dividend distributions by ELI Nigeria rather than being unable to pay the total quantum due under the Loan Notes. Currently the Loan Notes are in good standing with the first repayment due on 31 July 2021.

The credit risk associated with the ELI Loan Notes is regarded as low which has led the Company to determine that providing for a loss over the following 12-month period is appropriate. Establishing an expected credit loss over the following 12-months 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 12-month expected credit loss provision are explained as follows.

32. Financial instruments and financial risk management continued

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.

ELI is not considered to be in financial difficulty and is expected to repay all interest and principal due under the loan agreement.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss and, this has been assessed as having not increased significantly since initial recognition.

As the asset is not credit-impaired, the 12-month expected credit loss is recorded as a separate provision on the Statement of Financial Position and remeasured at each reporting date. The ELI 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, and although this has slightly delayed the completion of the pipeline, 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.

The following table provides information about the exposure to credit risk and expected credit losses of the ELI Loan Notes as at 31 December 2020.

Equivalent to Moody's credit rating	Weighted average loss rate	Gross carrying amount US$000	Impairment loss allowance US$000	Credit impaired
Lower than BBB	**2.51%**	**15,353**	**385**	**No**

Cash and cash equivalents

The credit risk on cash and cash equivalents held in the Group's bank accounts 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	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Euro	**208**	95	**172**	86
Sterling	**1,332**	481	**1,134**	471
US Dollar	**16,855**	35,856	**16,838**	35,830
Polish Zloty	**114**	264	**–**	–
Moroccan Dirhams	**1**	1	**1**	1
	18,510	36,697	**18,145**	36,388

32. Financial instruments and financial risk management continued

(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 held in the Group's bank accounts are due on demand. All trade and other receivables and trade and other payables are due within one month.

The financial liabilities at 31 December 2020 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)	3,298	–	–	–	3,298
Operating leases (Note 28)	369	369	1,103	1,718	3,559
Derivative (Note 22)	9	–	–	–	9
	3,676	**369**	**1,103**	**1,718**	**6,866**

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)	3,304	–	–	–	3,304
Operating leases (Note 28)	369	369	1,103	1,718	3,559
Derivative (Note 22)	9	–	–	–	9
	3,682	**369**	**1,103**	**1,718**	**6,872**

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

32. Financial instruments and financial risk management continued

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, the volatility in oil prices and demand, OPEC quotas, and recent operational challenges being experienced by OML 18 could potentially have an impact on the Company's indirect interest in OML 18 and receipt of Loan Note repayments. However, San Leon is still confident in the operational potential of OML 18 and ultimately recovering the full amount of the outstanding Loan Notes. Any impact on the Company's liquidity risk is expected to be short term and mitigated by the receipt of cash from other sources, such as Loan Note repayments from ELI and services income.

(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.

(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. In 2019 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$30.5 million in that year. See Note 24 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 2020 was as follows:

	2020 US$'000	2019 US$'000 (Restated*)
Total liabilities	**6,642**	8,091
Less: cash and cash equivalents	**18,510**	36,697
Adjusted net debt	**(11,868)**	(28,606)
Total equity	**152,060**	195,848
Adjusted net debt to equity ratio	**(0.08)**	(0.15)

** See Note 13 for details on restated amounts.*

32. Financial instruments and financial risk management continued

(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 2020:

Group	Fair value 31 December 2020 US$'000	Carrying amount 31 December 2020 US$'000	Level 1 31 December 2020 US$'000	Level 2 31 December 2020 US$'000	Level 3^ 31 December 2020 US$'000
Financial assets					
OML 18# (Note 17)	68,925	68,925	–	–	68,925
ELI (Note 17)	14,968	14,968	–	–	14,968
Barryroe NPI (Note 17)	6,842	6,842	–	–	6,842
Unquoted shares (Note 17)	–	–	–	–	–
Trade receivables* (Note 19)	2	2	–	–	–
Cash and cash equivalents* (Note 20)	18,510	18,510	–	–	–
Other debtors* (Note 19)	732	732	–	–	–
Financial liabilities					
Trade payables* (Note 21)	(719)	(719)	–	–	–
Other creditors* (Note 21)	(36)	(36)	–	–	–
Derivative (Note 22)	(9)	(9)	–	–	(9)
At 31 December 2020	109,215	109,215	–	–	90,726

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.*

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)	68,925	68,925	–	–	68,925
Barryroe NPI (Note 17)	6,842	6,842	–	–	6,842
Cash and cash equivalents* (Note 20)	18,145	18,145	–	–	–
Other debtors* (Note 19)	726	726	–	–	–
Financial liabilities					
Trade payables* (Note 21)	(187)	(187)	–	–	–
Other creditors* (Note 21)	(2)	(2)	–	–	–
Derivative (Note 22)	(9)	(9)	–	–	(9)
At 31 December 2020	94,440	94,440	–	–	75,758

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.*

32. Financial instruments and financial risk management continued

During the period ended 31 December 2020, 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 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 Group has not disclosed the fair value of financial instruments such as short-term receivables and payables, as it is considered that their carrying amounts are a reasonable approximation of their fair values.*

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

Company	Fair value 31 December 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

* *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

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.

(g) Hedging

At 31 December 2020 and 31 December 2019, the Group and Company had no outstanding contracts designated as hedges.

33. Subsequent events

MLPL Loan Note

The Company has received US$0.8 million in Loan Note repayments since 31 December 2020.

Barryroe NPI

On 22 April 2021, Providence Resources plc announced that the farmout agreement with SpotOn Energy for the Barryroe Licence had been terminated due to SpotOn Energy's inability to secure financing. Providence are now progressing arrangements for an alternative funding package to finance 100% of the costs for the early development scheme of the Barryroe Licence.

Since this announcement the share price of Providence has materially reduced compared to the price quoted at 31 December 2020 which was used as a key input in the valuation of the Company's 4.5% NPI in Barryroe. Should the share price remain materially lower than at half year reporting, the carrying value of the Barryroe NPI will likely be impaired.

Appointment of new Director

On 7 May 2021, John Brown was appointed to the Board as an Independent Non-Executive Director.

Resignation of Director

On 7 May 2021, Alan Campbell stepped down from the Board as an Executive Director.

Property owned by Mr. Oisín Fanning

In June 2021, the Company signed a licence with Mr. Oisín Fanning to use the property previously disclosed in Note 31 for office space. The monthly rent payable is on average US$32,000.

ELI – additional investment

On 24 June 2021, the Company announced a conditional investment of US$2.0 million and an option to conditionally invest a further US$6.5 million in the equity of ELI. The equity being conditionally purchased and the equity that may be purchased via the option are existing equity interests in ELI owned by Walstrand (Malta) Limited, ELI's largest shareholder.

Proposed transactions and Suspension of San Leon shares

On 24 June 2021, the Company announced that it was is in preliminary discussions with Midwestern about acquiring Midwestern's interest in the OML 18 oil and gas block located onshore in Nigeria. At this date, heads of terms for the transaction had not been agreed. The transaction would involve San Leon acquiring the outstanding shares not already owned by San Leon in relation to MLPL. San Leon is not contemplating acquiring Midwestern. San Leon currently owns 40% of MLPL with Midwestern owning the other 60%.

In addition, the Company is considering making further debt and equity investments in ELI.

Elements of the above transactions would constitute a reverse takeover under rule 14 of the AIM Rules for Companies.

San Leon and Midwestern are in discussions for the Company to acquire the remaining 60% equity interest in MLPL from Midwestern. The consideration for this would be satisfied by the issuance of a substantial number of new ordinary shares in San Leon to Midwestern such that Midwestern would become the majority shareholder of San Leon.

33. Subsequent events continued

The proposed transaction is at a very early stage and will therefore be subject to a number of factors, including, inter alia, the completion of due diligence, negotiation of transaction documentation, regulatory approvals, a "whitewash" under the Irish Takeover Rules and shareholder approval. As such, there is no certainty that the transaction will proceed nor any certainty regarding the terms on which they would proceed.

Related party
Midwestern currently holds more than 10% of the Company's ordinary shares. Accordingly, Midwestern is classified as a related party under the AIM Rules and the transactions above in which Midwestern has an interest will therefore be treated as transactions with a related party pursuant to rule 13 of the AIM Rules.

Suspension of trading
As the transactions would constitute a reverse takeover under rule 14 of the AIM Rules, these will be subject, inter alia, to the approval of San Leon's shareholders. As such, a further announcement including, inter alia, full details of the transactions will be issued at the appropriate time once binding contracts are entered into and an AIM admission document published and sent to San Leon's shareholders with a notice of general meeting.

In accordance with rule 14 of the AIM Rules, the Company's ordinary shares were suspended from trading on AIM on 24 June 2021. The Company's ordinary shares will remain suspended until such time as either an AIM admission document is published or an announcement is released confirming that the relevant transactions are not proceeding.

34. Approval of financial statements

The Financial Statements were approved by the Board on 28 June 2021.

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 OML 18 Loan Notes under IFRS 9, excluding expected credit losses, 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	2,608	82,145
Interest accrued on Loan Notes (7 April 2020 to 31 December 2020)	9,697	595	10,292
Cash receipts (7 April 2020 to 31 December 2020)	(5,000)	–	(5,000)
Loan Notes at 31 December 2020	**84,234**	**3,203**	**87,437^**
Interest accrued on Loan Notes (1 January 2021 to 18 June 2021)	8,961	(2,496)	6,465
Cash receipts (1 January 2021 to 18 June 2021)	(750)	–	(750)
Loan Notes at 18 June 2021	**92,445**	**707**	**93,152**

** 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.

^ Made up of capital balance of US$82.1 million and accrued interest of US$5.3 million.

A reconciliation from the value of the ELI Loan Notes under IFRS 9, excluding expected credit losses, 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 2020	15,353	399	15,752^
Interest accrued on Loan Notes (1 January 2021 to 18 June 2021)	1,092	(120)	972
Cash receipts (1 January 2021 to 18 June 2021)	–	–	–
Loan Notes at 18 June 2021	**16,445**	**279**	**16,724**

** The effective interest rate is 16% and the coupon rate is 14% (Note 17)*

^ Made up of capital balance of US$15.0 million and accrued interest of US$0.8 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) resigned 7 May 2021*

Lisa Mitchell *(Chief Financial Officer)*

Mark Phillips *(Non-Executive Director) resigned 29 June 2020*

Linda Beal *(Non-Executive Director) resigned 8 December 2020*

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

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

John Brown *(Non-Executive Director) appointed 7 May 2021*

Registered Office

2 Shelbourne Buildings
Crampton Avenue
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Secretary

Alan Campbell

Auditor

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Chartered Accountants,
Statutory Audit Firm
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St Stephen's Green
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Solicitors

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Joint Stockbrokers

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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
1P	Proven Reserves
2P	Proven plus Probable Reserves
3P	Proven plus Probable plus Possible Reserves
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

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