



The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR'). Upon the publication of this announcement via a Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

25 September 2020

San Leon Energy Plc
("San Leon", "SLE" or "the Company")
Interim Results

San Leon, the independent oil and gas production, development and exploration company focused on Nigeria, today announces its unaudited interim results for the six months ended 30 June 2020, and provides an update on its indirect interest in OML 18, a world-class oil and gas block located onshore in Nigeria.

Highlights

Corporate

- Completed the return of approximately US\$35.3 million to shareholders during the first half of 2020 delivering on the Company's commitment to shareholder returns.
- Oisin Fanning, CEO, purchased 98 million shares in the Company, taking his interest to approximately 24%, on 7 May 2020.
- Adekolapo Ademola joined the Company as Non-Executive Director on 7 April 2020 as a designate of Midwestern Oil & Gas Company Ltd. Bill Higgs and Mark Phillips resigned as Non-Executive Directors in May and June 2020 respectively.
- 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, with the remaining balance payable being approximately US\$82.2 million plus interest. A further US\$10.0 million is expected to be settled on or before 6 October 2020, with the balance of the Loan Notes receivable to be paid in three quarterly instalments, commencing July 2021 and completing by December 2021.

Corporate – Post balance sheet

- On 3 August 2020 the Company provided a US\$15.0 million loan and 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. Once commissioned, the system is expected by Eroton to reduce the downtime and allocated pipeline ("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"), who is the holder of a Risk Service Agreement ("RSA") with Millenium Oil and Gas Company Limited ("Millenium") on the Oza field, onshore Nigeria. Under the agreements, once completed, the Company will also receive a 15% interest in Decklar for a nominal amount paid.
- Allenby Capital Limited was appointed as Nominated Adviser and Joint Broker on 31 July 2020, after the reporting period.

Financial

- Cash and cash equivalents as at 30 June 2020 of US\$35.6 million (30 June 2019: US\$12.2 million).
- Cash and cash equivalents as at 18 September 2020 was US\$22.6 million (US\$6.8 million is restricted and held in escrow for the Oza transaction).
- During 2020 to date US\$41.5 million (30 June 2019: US\$10.7 million) has been received in relation to payments due to San Leon under the Loan Notes.
- The Company is scheduled to continue to be repaid against the Loan Notes, the balance of which is currently US\$88.7 million, on a cash receipts basis.
- A share repurchase of US\$2.0 million of Company 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.
- Loss from continuing operations for the period ended 30 June 2020 was US\$20.3 million (30 June 2019: loss of US\$6.8 million). For clarity, this figure does not reflect Loan Notes cash received.

Operational

An update on OML 18 activity during the first six months of 2020 is provided below.

- Eroton completed its three well drilling programme in early 2020, with the final completion and flow of these wells impacted by Covid-19. The recent lower oil price has led Eroton to improve capital discipline and the prudent deferral of the next drilling campaign, now expected to commence towards the end of 2021.
- Eroton informs the Company that it has taken all appropriate precautions for its operations and people, with regards to Covid-19.
- Oil delivered to Bonny terminal for sales was approximately 25,200 barrels of oil per day ("bopd") in H1 2020 (32,000 bopd in H1 2019) and continues to be affected by combined losses and downtime of approximately 32%. The 2020 figure has also been affected by OPEC oil production quota restrictions. Together, the losses, downtime and OPEC restrictions cause the majority of the difference between gross production when there is no disruption to production, and oil is received at Bonny terminal for sales.
- Gas sales averaged 39.1 million standard cubic feet per day ("mmscf/d") in H1 2020 after downtime (34.3 mmscf/d in H1 2019).
- Production downtime of 15% in H1 2020 was caused by third party terminal and gathering system issues. 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 Floating Storage and Offloading ("FSO") vessel in the open sea, approximately 50 kilometres offshore. Expected timing for the commencement of operations is in the coming quarters.
- Pipeline losses by the Bonny Terminal operator have been relatively stable over the past year (30 June 2020: 20%; 30 June 2019: 18%). In the longer term, the export Pipeline and FSO system mentioned above are expected to reduce losses significantly.

Chief Executive Officer of San Leon, Oisín Fanning, commented:

"The Company's position and outlook remains strong.

"Whilst the world and the industry has been through turbulent times, we have taken advantage of the opportunities presented by this as well as utilising our cash position to further build our portfolio in Nigeria in line with our strategy. Our investment in ELI will support the reduction in pipeline losses and downtime at OML 18 whilst also providing loan note repayments as well as equity returns.

Our strong position is expected to continue in the year ahead as we receive further Loan Note payments and deliver upon our strategy."

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The Interim Report and Accounts are available on the Company's website at www.sanleonenergy.com.

Chairman's Statement

I welcome the progress on the ACOES system, as a means for taking a major step forward for oil sales on OML 18. The Company's continued implementation of its strategy has resulted in the ELI and Oza transactions, laying the groundwork for our future portfolio.

The continued receipt of Loan Notes payments, now totaling US\$190.6 million, put San Leon in a healthy financial position and enabled the Company to pay a maiden special dividend of approximately US\$33.3 million in May 2020. During the period of 2020 to date, US\$41.5 million of Loan Note payments have been received. In April 2020 the Company amended the existing Loan Notes Instrument (the "Amendment") between San Leon and Midwestern Leon Petroleum Limited ("MLPL") leaving US\$88.7 million of principal and interest on a cash receipt basis outstanding and payable as of 24 September 2020.

I would like to thank Mark Phillips and Bill Higgs for their service as Non-Executive Directors and wish them all the best for the future. I would like to welcome Adekolapo Ademola, who has joined San Leon as Non-Executive Director (appointed as a representative of Midwestern Oil & Gas Company Ltd).

Financial Review

To date this year, San Leon has received US\$41.5 million of Loan Notes payments which have been applied in satisfaction of principal and accrued interest on the Loan Notes. As a result of these payments, cash and cash equivalents as at 30 June 2020 were US\$35.6 million (30 June 2019: US\$12.2 million).

San Leon generated a loss after tax from continuing operations of US\$20.3 million for the six months to 30 June 2020, compared with a loss after tax of US\$6.8 million in the six months to 30 June 2019. The majority of this loss is attributable to the loss on equity investments for the six months to 30 June 2020 of US\$14.1 million (30 June 2019: profit of US\$0.1 million). This loss relates to San Leon's equity investment in MLPL. MLPL has a 100% equity investment in Martwestern Energy, which in turn has a 50% equity investment in Eroton, the operator of the Company's indirect interest in OML 18, Nigeria.

The share of loss on equity accounted investments comprises 40% of MLPL's gross results being, administrative costs of US\$1.0 million, net finance income of US\$1.0 million, a loss on investment of US\$31.6 million and a tax charge of US\$3.7 million. This loss reflects the operational challenges encountered by OML 18 by way of third party terminal and gathering system issues and more generally the impact of Covid-19 on the global economy, oil prices and OPEC restrictions. Eroton has taken prudent and typical action to reduce discretionary spend over this period. This share of loss on equity accounted investments needs to be viewed in the context of the Loan Notes, which enabled the acquisition of the indirect interest in OML 18 and also generated finance income on the Loan Notes during the period of US\$7.7 million.

Revenue for the six months to 30 June 2020 was US\$nil, compared with US\$0.2 million for the six months to 30 June 2019.

Administrative costs increased to US\$7.7 million for the six months to 30 June 2020 (30 June 2019: US\$5.9 million). The change was due to an increase in wages and salaries of US\$0.8 million, advisors and consultants of US\$0.5 million, foreign exchange of US\$0.8 million and a decrease in the share-based payments charge of US\$0.3 million. The increase in advisors and consultants' fees was largely due to work performed on transactions in line with our strategy of investing in assets with expected near-term cash flow, two of such transactions are outlined below in the Post Balance sheet events.

Finance expense of US\$0.1 million for the six months to 30 June 2020 (30 June 2019: US\$0.1 million) relates to interest on obligations for leases.

Finance income of US\$7.8 million (30 June 2019: US\$10.1 million) is substantially interest income on the US\$174.5 million Loan Notes. The reduction year on year is due to repayments made during the year combined with the Amendment which altered the timing of receipts of the Loan Notes and reduced the principal in the period.

The Expected Credit Loss ("ECL") provision has increased by US\$5.9 million (30 June 2019: a credit of US\$3.5 million) due to the Amendment and extension of loan note repayments and also to reflect the increased uncertainty in the global economy and the impact on oil price.

The tax charge for the six months to 30 June 2020 is US\$0.8 million (30 June 2019: tax credit US\$5.2 million) predominantly relating to the increase in the fair value of the Barryroe Net Profit Interest ("NPI") of US\$1.6 million.

The Company completed a US\$2.0 million share repurchase in January 2020 and in May 2020 declared a special dividend of US\$33.3 million.

Post Balance sheet events

On 3 August 2020 the Company provided a US\$15.0 million loan and acquired a 10% interest in Energy Link Infrastructure (Malta) Ltd ("ELI"). ELI's sole asset is the proposed new ACOES, which is being constructed to provide a dedicated oil export route from the OML 18 asset, comprising a new pipeline from OML 18 and a 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 FSO project will improve overall well uptime. 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.

On 1 September 2020 the Company also announced that it had conditionally agreed to invest US\$7.5 million by way of a loan to Decklar Petroleum Limited ("Decklar"), the local subsidiary of Asian Mineral Resources Limited (TSX-V:ASN) (now renamed to Decklar Resources Inc (TSX-V:DKL)), listed on the Canadian TSX Venture Exchange. Decklar is the holder of a RSA with Millenium on the Oza field, onshore Nigeria. Until the loan and its interest are repaid, there will be a cash sweep in San Leon's favour. San Leon will also subscribe for a 15% equity interest in Decklar for a nominal amount. Oza is a marginal field which has previously produced oil, has existing infrastructure, and the Company believes has considerable development potential.

Outlook

San Leon remains in a strong position. Our strategy is delivering, and we expect to continue to deliver as we receive further Loan Note repayments in the coming year. OML 18 is undoubtedly a world class asset and we believe that the ACOES will significantly reduce OML 18's losses and downtime going forward. Our position allows us to make the most of the opportunities available to the Company as we look to continue to grow and develop our portfolio (as demonstrated by our investments in the ACOES and in the Oza field) whilst also distributing additional returns to our shareholders. I look forward to updating shareholders as OML 18 progresses and as we execute our new projects and review other opportunities.

San Leon Energy plc

Consolidated income statement

for the six months ended 30 June 2020

	Notes	Unaudited 6 months ended 30/06/20 US\$'000	Unaudited 6 months ended 30/06/19 US\$'000	Audited Year ended 31/12/19 US\$'000
Continuing operations				
Revenue from contracts with customers	2	-	176	266
Cost of sales		-	(108)	(148)
Gross profit		-	68	118
Share of profit / (loss) of equity accounted investments	9	(14,145)	97	(3,204)
Administrative expenses		(7,719)	(5,924)	(14,899)
Loss on disposal of subsidiaries	3	(1,044)	-	(13,770)
Impairment / write off of exploration and evaluation assets	8	(86)	-	(1,407)
Other income		-	-	1,400
Loss from operating activities		(22,994)	(5,759)	(31,762)
Finance expense	4	(69)	(77)	(144)
Finance income	5	7,755	10,117	24,123
Expected credit losses	6	(5,857)	1,671	3,465
Fair value movements in financial assets	11	1,645	(17,900)	(48,373)
Loss before income tax		(19,520)	(11,948)	(52,691)
Income tax	7	(815)	5,170	14,079
Loss for the period		(20,335)	(6,778)	(38,612)
Loss per share (cent) – total				
Basic loss per share		(4.51)	(1.39)	(8.28)
Diluted loss per share		(4.51)	(1.39)	(8.28)

Consolidated statement of other comprehensive income

for the six months ended 30 June 2020

	Notes	Unaudited 30/06/20 US\$'000	Unaudited 30/06/19 US\$'000	Audited 31/12/19 US\$'000
Loss for the period		(20,335)	(6,778)	(38,612)
Items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences		-	(228)	(26)
Recycling of currency translation reserve on disposal of subsidiaries		1,044	-	13,870
Fair value movements in financial assets	11	-	-	(2,625)
Deferred tax on fair value movements in financial assets		-	-	40
Total other comprehensive income		1,044	(228)	11,259
Total comprehensive loss for the period		(19,291)	(7,006)	(27,353)

San Leon Energy plc

Consolidated statement of changes in equity for the period ended 30 June 2020

Unaudited 30 June 2020	Share capital reserve US\$'000	Share premium reserve US\$'000	Other undenominated 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	Attributable to Retained earnings US\$'000	equity holders in Group US\$'000
Balance at 1 January 2020	5,172	21,077	623	5,024	24,621	14,292	-	(2,505)	134,612	202,916
Total comprehensive income for period										
Loss for the period	-	-	-	-	-	-	-	-	(20,335)	(20,335)
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	1,044	-	-	-	-	1,044
Total comprehensive income for period	-	-	-	-	1,044	-	-	-	(20,335)	(19,291)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Share buybacks	(15)	-	15	-	-	-	-	-	(507)	(507)
Dividend payment	-	-	-	-	-	-	-	-	(33,251)	(33,251)
Effect of options extended	-	-	-	-	-	150	-	-	-	150
Total transactions with owners	(15)	-	15	-	-	150	-	-	(33,758)	(33,608)
Balance at 30 June 2020	5,157	21,077	638	5,024	25,665	14,442	-	(2,505)	80,519	150,017

San Leon Energy plc

Consolidated statement of changes in equity for the period ended 30 June 2020

	Share capital reserve US\$'000	Share premium reserve US\$'000	Other undenom- inated reserve US\$'000	Special reserve US\$'000	Currency translation reserve US\$'000	Share based payment reserve US\$'000	Shares to be issued reserve US\$'000	Fair value reserve US\$'000	Retained earnings US\$'000	Attributable to equity holders in Group US\$'000
Unaudited 30 June 2019										
Balance at 1 January 2019	150,600	478,666	-	-	10,777	14,977	2,099	80	(396,049)	261,150
Total comprehensive income for period										
Profit for the period	-	-	-	-	-	-	-	-	(6,778)	(6,778)
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	(228)	-	-	-	-	(228)
Total comprehensive income for period	-	-	-	-	(228)	-	-	-	(6,778)	(7,006)
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Tender offer and reduction of capital	(144,871)	(459,721)	-	5,024	-	-	-	-	599,568	-
Reduction of capital	(576)	-	576	-	-	-	-	-	(30,512)	(30,512)
Share based payment	-	-	-	-	-	216	-	-	-	216
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	-	-	-	-	-	(863)	-	-	863	-
Total transactions with owners	(145,381)	(457,589)	576	5,024	-	(500)	(2,099)	-	569,991	(29,978)
Balance at 30 June 2019	5,219	21,077	576	5,024	10,549	14,477	-	80	167,164	224,166

San Leon Energy plc

Consolidated statement of changes in equity for the period ended 30 June 2020

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

San Leon Energy plc

Consolidated statement of financial position as at 30 June 2020

	Notes	Unaudited 30/06/20 US\$'000	Unaudited 30/06/19 US\$'000	Audited 31/12/19 US\$'000
Assets				
Non-current assets				
Intangible assets	8	-	-	-
Equity accounted investments	9	37,721	55,167	51,866
Property, plant and equipment	10	3,821	4,566	4,344
Financial assets	11	36,193	106,111	2,963
Deferred tax asset	17	906	-	1,718
Other non-current assets		-	206	-
		78,641	166,050	60,891
Current assets				
Inventory		180	256	180
Trade and other receivables	12	1,190	1,784	987
Financial assets	11	41,018	59,430	112,252
Cash and cash equivalents	13	35,589	12,158	36,697
		77,977	73,628	150,116
Total assets		156,618	239,678	211,007
Equity and liabilities				
Equity				
Called up share capital	16	5,157	5,219	5,172
Share premium account	16	21,077	21,077	21,077
Other undenominated reserve		638	576	623
Special reserve	16	5,024	5,024	5,024
Share based payments reserve		14,442	14,477	14,292
Currency translation reserve		25,665	10,549	24,621
Fair value reserve		(2,505)	80	(2,505)
Retained earnings		80,519	167,164	134,612
Total equity attributable to equity shareholders		150,017	224,166	202,916
Non-current liabilities				
Lease liability	19	2,404	2,749	2,501
Derivative		128	659	128
Deferred tax liabilities	17	-	7,234	-
		2,532	10,642	2,629
Current liabilities				
Trade and other payables	14	4,013	4,814	5,406
Provisions	15	56	56	56
		4,069	4,870	5,462
Total liabilities		6,601	15,512	8,091
Total equity and liabilities		156,618	239,678	211,007

San Leon Energy plc

Consolidated statement of cash flows

for the six months ended 30 June 2020

	Notes	Unaudited 6 months ended 30/06/20 US\$'000	Unaudited 6 months ended 30/06/19 US\$'000	Audited Year ended 31/12/19 US\$'000
Cash flows from operating activities				
Loss for the period – continuing operations		(20,335)	(6,778)	(38,612)
Adjustments for:				
Depletion and depreciation	10	515	446	960
Finance expense	4	69	77	144
Finance income	5	(7,755)	(10,117)	(24,123)
Share based payments charge		150	433	1,069
Foreign exchange		(286)	(699)	(403)
Income tax	7	815	(5,170)	(14,079)
Impairment of exploration and evaluation assets – continuing operations		86	-	1,407
Expected credit losses	6	5,857	(1,671)	(3,465)
Loss on disposal of subsidiaries	3	1,044	-	13,770
Decommissioning payments	15	-	(702)	(702)
Fair value movements in financial assets	11	(1,645)	17,900	48,373
Decrease in inventory		-	16	92
Decrease / (increase) in trade and other receivables		(205)	(117)	532
Decrease in trade and other payables		(1,393)	(3,572)	(3,876)
Share of loss / (profit) of equity accounted investments	9	14,145	(97)	3,204
Tax paid		-	-	(18)
Net cash outflow in operating activities		(8,938)	(10,051)	(15,727)
Cash flows from investing activities				
Expenditure on exploration and evaluation assets	8	(86)	-	(466)
Purchases of property, plant and equipment	10	-	-	(82)
Lease – prepaid rental	19	-	-	(231)
Loans repaid by Directors	20	-	727	727
Interest on Director's loan	20	-	1	1
Interest and investment income received	5	47	135	278
OML 18 Loan Notes principal payments received	11	35,285	7,893	23,361
OML 18 Loan Notes interest payments received	11	6,215	2,805	19,885
Net cash inflow from investing activities		41,461	11,561	43,473
Cash flows from financing activities				
Dividends paid		(33,251)	-	-
Share buyback	16	(506)	(30,512)	(32,048)
Proceeds from issue of shares	16	-	99	99
Repayment of lease liability – principal	19	(97)	(97)	(192)
Interest and arrangement fees paid	19	(69)	(77)	(144)
Net cash outflow from financing activities		(33,923)	(30,587)	(32,285)
Net increase in cash and cash equivalents		(1,400)	(29,077)	(4,539)
Effect of foreign exchange fluctuation on cash and cash equivalents		292	473	474
Cash and cash equivalents at start of period		36,697	40,762	40,762
Cash and cash equivalents at end of period	13	35,589	12,158	36,697

San Leon Energy plc

Notes to the Interim Consolidated Financial Statements

for the six months ended 30 June 2020

1. Basis of preparation and accounting policies

1.1 Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019. They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. They should be read in conjunction with the Group's annual financial statements as at 31 December 2019 which are available on the Group's website www.sanleonenergy.com.

These unaudited Half year results were approved by the Board of Directors on 24 September 2020.

1.2 Significant accounting policies

The accounting policies applied by the Group in the interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019.

1.3 Estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual report for the year ended 31 December 2019.

The Company has used draft 30 June 2020 management accounts provided by MLPL to account for the equity accounted investment. These MLPL management accounts have not been reviewed or audited by MLPL's auditors.

1.4 Going concern

The Group closely monitors its liquidity risk and cash forecasts are produced regularly. Given the current environment of low oil prices and economic uncertainties as a result of Covid-19, cash forecast scenarios have been reviewed further. The principal assumptions underlying the cash flow forecast to the Group are as follows:

- On 6 April 2020, the Company entered into an agreement amending the MLPL 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 30 June 2020, Loan Note payments totalling US\$41.5 million of both principal and interest have been made on behalf of MLPL. Since reporting date, no further repayments have been received. US\$10.0 million will be due to be settled on 6 October 2020, with quarterly repayments starting from July 2021. The Group has assumed that it will receive the respective forecast cash flows during 2020 and 2021 from the Loan Notes and for the purposes of managing the loan, cash flows are allocated to interest and then capital repayments in accordance with the terms of the Loan Notes.
- Income from the provision of subsurface technical and management services of gross US\$3.0 million per year in 2020 and 2021.
- Ongoing exploration and administrative expenditure from the Group's existing activities are in line with current expectations and commitments.
- The cash flow forecast reflects the on-going activity across the Group's exploration asset portfolio which is now substantially reduced but does take into account licence commitments and technical team costs where relevant, administrative overhead, other financial commitments and its available financial resources from existing cash balances.

The Directors have considered the impact of Covid-19 upon the Company's indirect interest in OML 18, and upon the Loan Notes. The field operations of OML 18 will necessarily be slowed by the taking of customary health precautions, but as with most oil operations around the world, the Company are advised by Eroton that operations are continuing on a reasonable basis with a prudent reduction in discretionary spend. The impact of the current low oil price will likely result in the deferral of some operational and capital expenditure, as is prudent to preserve working capital by Eroton. That is expected to delay some production increases from drilling. Eroton's income will also be affected by the lower oil price itself, although that is buffered to some extent by the deferral of costs mentioned and a number of put options in place. The overall effect is likely only to be some delay in receiving distributions from Eroton via MLPL. However, due to the current uncertain economic outlook the Directors recognise the risk profile of the Loan Notes has increased. The credit risk has therefore been reviewed (see Note 11), and the provision for potential loss has increased accordingly. The Directors are still confident that the full outstanding loan balance will be repaid.

Given the Group's well understood cost base, the principal uncertainties relate to the quantum and timing of receipt of interest and capital repayments on the Loan Notes with MLPL. It was originally envisaged that the Loan Note payments due to the Group would be sourced by MLPL from the receipt of dividends through its indirect interest in Eroton via Martwestern. These dividends have not been received and consequently MLPL has entered into loan arrangements in order to be able to make Loan Note payments to the Company. In the absence of the dividend payments, MLPL will be reliant on further advances under the loan arrangements 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.

Based on the Group's forecast, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidation statements.

2. Revenue and segmental information

At 30/06/2020	Poland	Morocco	Albania	Nigeria	Ireland	Spain	Unalloc- ated#	Total
(Unaudited)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total revenue	-	-	-	-	-	-	-	-
Impairment of exploration and evaluation assets	-	-	(86)	-	-	-	-	(86)
Segment (loss) / profit before income tax	(306)	-	(86)	(12,294)	1,388	(28)	(8,194)	(19,520)
Property, plant and equipment	23	-	-	1,111	2,687	-	-	3,821
Equity accounted investments	-	-	-	37,721	-	-	-	37,721
Segment non-current assets	23	-	-	70,417	6,485	-	1,716	78,641
Segment liabilities	(194)	(268)	(804)	-	(2,737)	(739)	(1,859)	(6,601)

At 30/06/2019	Poland	Morocco	Albania	Nigeria	Ireland	Spain	Unalloc- ated #	Total
(Unaudited)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total revenue	176	-	-	-	-	-	-	176
Impairment of exploration and evaluation assets	-	-	-	-	-	-	-	-
Segment profit / (loss) before income tax	(205)	(74)	(89)	11,438	(17,900)	-	(5,118)	(11,948)
Property, plant and equipment	47	-	-	1,557	-	-	2,962	4,566
Equity accounted investments	-	-	-	55,167	-	-	-	55,167
Segment non-current assets	47	-	-	126,968	35,867	-	3,168	166,050
Segment liabilities	(192)	(591)	(800)	-	-	-	(13,929)	(15,512)

At 31/12/2019	Poland	Morocco	Albania	Nigeria	Ireland	Spain	Unalloc- ated #	Total
(Audited)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total revenue	266	-	-	-	-	-	-	266
Impairment of exploration and evaluation assets	(126)	(150)	(190)	-	-	(941)	-	(1,407)
Segment profit / (loss) before income tax	(15,074)	1,134	(190)	23,575	(48,373)	(1,014)	(12,749)	(52,691)
Property, plant and equipment	32	-	-	1,476	2,836	-	-	4,344
Equity accounted investments	-	-	-	51,866	-	-	-	51,866
Segment non-current assets	32	-	-	53,111	7,554	-	194	60,891
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.

3. Profit or loss on disposal of subsidiaries

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year ended 31/12/19
	US\$'000	US\$'000	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 or disposal of the foreign operations has resulted in the realisation of cumulative foreign currency losses of US\$1.0 million (31/12/19: 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).

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

The aggregate consideration of US\$2.0 million has been noted in Commitments and Contingencies (Note 18).

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.

4. Finance expense

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year ended 31/12/19
	US\$'000	US\$'000	US\$'000
On loans and overdraft	-	4	-
Interest on obligations for leases	69	73	144
	69	77	144

5. Finance income

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year ended 31/12/19
	US\$'000	US\$'000	US\$'000
Total finance income on Loan Notes (Note 11)	7,708	9,981	23,313
Deposit interest received	47	135	278
Interest on Director's loan	-	1	1
Movement in fair value of derivatives	-	-	531
	7,755	10,117	24,123

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

6. Expected credit losses

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year ended 31/12/19
	US\$'000	US\$'000	US\$'000
Loan Notes (loss) / gain (Note 11)	(5,857)	1,671	3,465

7. Income tax

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year ended 31/12/19
	US\$'000	US\$'000	US\$'000
Current tax:			
Current year income tax	3	3	3
Deferred tax			
Origination and reversal of temporary differences	269	631	2,006
Deferred tax movement in Barryroe NPI	543	(5,804)	(16,064)
Deferred tax movement on fair value of other financial assets, Quoted shares	-	-	(24)
Total income tax charge / (credit)	815	(5,170)	(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 credit	-	-	(40)

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:

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year ended 31/12/19
	US\$'000	US\$'000	US\$'000
Current tax:			
Loss before income tax	(19,520)	(11,948)	(52,691)
Tax on loss at applicable Irish corporation tax rate of 25% (2019: 25%)	(4,880)	(2,987)	(13,173)
Effects of:			
Deferred tax on fair value movement in financial assets	132	-	(3,870)
Prior year adjustment	-	-	(24)
Effect of different tax rates	-	(646)	-
Losses utilised in period	(269)	-	(2,006)
Expenses not deductible for tax purposes	4,539	3,222	3,269
Income tax withheld	3	3	3
Polish tax liability	-	-	-
Excess losses carried forward	1,290	(4,762)	1,722
Tax charge / (credit) for the period	815	(5,170)	(14,079)

8. Intangible assets

Exploration and evaluation assets

	Unaudited 30/06/20 US\$'000
Cost and net book value	
At 1 January 2019	-
Additions	1,201
Transfer from other non-current assets	206
Write off / impairment of exploration and evaluation assets	(1,407)
At 31 December 2019	-
Additions	86
Write off / impairment of exploration and evaluation assets	(86)
At 30 June 2020	-

An analysis of exploration assets by geographical area is set out below:

	Unaudited 6 months ended 30/06/20	Unaudited 6 months ended 30/06/19	Audited Year Ended 31/12/19
Spain	-	-	941
Albania	86	-	190
Morocco	-	-	150
Poland	-	-	126
Total	86	-	1,407

The Directors considered the carrying value of capitalised costs in respect of its exploration and evaluation assets in 2018. These assets were 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 exploration and evaluation assets remain fully impaired in 2020.

9. Equity accounted investments

Midwestern Leon Petroleum Limited

	Unaudited 30/06/20	Unaudited 30/06/19	Audited 31/12/19
	US\$'000	US\$'000	US\$'000
Opening balance	51,866	55,070	55,070
Share of (loss) / profit of equity accounted investments	(14,145)	97	(3,204)
Closing balance	37,721	55,167	51,866

The Group identified potential impairment indicators, being that MLPL is yet to receive a dividend from Eroton, the equity interest is currently loss making, MLPL has entered into a loan to be able to make Loan Note repayments to the Group, and more generally, the effects of Covid-19 on the economic environment and its impact on oil prices and OPEC restrictions. 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 cashflow model of the expected future cashflows from MLPL's share of the underlying OML 18 asset. Future cashflows of OML 18 were estimated using the following price assumptions of US\$35/bbl in 2020, US\$45/bbl in 2021, and a subsequent long term price US\$60/bbl escalated at 2% annually, with the cashflows 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.

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.

10. Property, plant and equipment

	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 (i)	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
At 30 June 2020	3,281	9,050	1,203	495	14,029
At 30 June 2019	3,050	9,116	1,257	427	13,850
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
Exchange rate adjustment	-	8	-	-	8
Charge for the period	188	303	-	24	515
At 30 June 2020	517	8,114	1,138	439	10,208
At 30 June 2019	130	7,558	1,169	427	9,284
Net book values					
At 30 June 2020	2,764	936	65	56	3,821
At 30 June 2019	2,920	1,558	88	-	4,566
At 31 December 2019	2,952	1,247	65	80	4,344

(i) Adoption of IFRS 16 leases, see Note 19.

11. Financial assets

	OML 18 (i) US\$'000	Barryroe 4.5% net profit interest (ii) US\$'000	Unquoted shares (iii, iv) US\$'000	Total US\$'000
	Amortised cost	FVTPL	FVOCI- equity instrument	
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	-	-	194	194
Fair value movement, Income Statement	-	(48,373)	-	(48,373)
At 31 December 2019	114,254	2,769	194	117,217
Finance income	7,708	-	-	7,708
Loan Notes receipts – principal	(35,285)	-	-	(35,285)
Loan Notes receipts – interest	(6,215)	-	-	(6,215)
Fair value movement, Income statement	-	1,645	-	1,645
At 30 June 2020	80,462	4,414	194	85,070
Expected Credit Loss Provision				
At 1 January 2019	(5,467)	-	-	(5,467)
Released in the year	3,465	-	-	3,465
At 31 December 2019	(2,002)	-	-	(2,002)
Increased in the period	(5,857)	-	-	(5,857)
At 30 June 2020	(7,859)	-	-	(7,859)
Book value at 30 June 2020	72,603	4,414	194	77,211
Current	41,018	-	-	41,018
Non-current	31,585	4,414	194	36,193
Book value at 30 June 2019	129,674	33,242	2,625	165,541
Current	59,430	-	-	59,430
Non-current	70,244	33,242	2,625	106,111
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

(i) OML 18 Production Arrangement

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 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.

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 is as follows:

Valuation technique	Significant unobservable inputs
Discounted cash flows	<ul style="list-style-type: none">– 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).

The business model applicable to the Loan Notes 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 20. 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.

In 2020 the Company has received total payments under the Loan Notes of US\$41.5 million (2019: US\$43.2 million). On 6 April 2020, the Company entered into an Agreement with MLPL, amending the timing of the

remaining payment of the Loan Notes Instrument. At the date of the Agreement, the remaining outstanding balance on the par value was US\$82.1 million (accounted for as US\$76.5 million under IFRS). Of this, US\$10.0 million is expected to be settled 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 will continue to be accounted for with 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\$4.8 million was recognised in respect of the change in present value of the revised cashflows discounted at the original effective interest rate.

The Directors of San Leon have considered the credit risk of the Loan Notes at 30 June 2019, 31 December 2019 and 30 June 2020. Due to the continued inability of MLPL to make dividend distributions, the Directors continue to consider that the credit risk has significantly increased since initial recognition, and a provision for the lifetime expected credit loss of the Loan Notes has been recognised. The Loan Notes are not considered credit impaired on the basis of operational reports of OML 18 which are consistent with successful exploitation of the field over its life, and the funding facilities expected to be available to MLPL over the short to medium term.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss and, this has been assessed as having increased significantly since initial recognition. Factors that have been considered to reduce overall credit risk include an ongoing guarantee from Midwestern, which guarantees all indebtedness and associated obligations of MLPL, with the Loan Notes being the most senior debt within the company and a number of oil price put options in place at the Eroton level, which partially mitigates downside risk to the cashflows of OML 18 arising from a reduction in oil prices. In addition, MLPL is currently in compliance with the repayment schedule agreed in April 2020.

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 cashflows that support MLPL. Accordingly, the lifetime expected credit loss of the Loan Notes has been determined based on publicly available macroeconomic data of default rates by geography, industry and rating, and considering forward-looking information with regard to oil prices and operational and financial reports of the borrower to determine whether any adjustment to the historical trends is appropriate at 30 June 2020. The Directors have considered the credit risk of MLPL, in particular in light of the Covid-19 pandemic and the resultant impact on the economic and operational environment. As a result, the credit risk has increased since 31 December 2019. 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. 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 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 cashflows, 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 cashflows. 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\$5.5 million, being 4.0% of the balance at 1 January 2019 was appropriate. This declined to US\$2.0 million at 31 December 2019 due to the contractual lifetime of the Loan Notes reducing by 12 months, being 1.8% of the balance at 31 December 2019. The repayments made in 2019 reduced the balance at that date, resulting in a gain of US\$3.5 million to the income statement for 2019.

In the six month period to 30 June 2020 this further increased to US\$7.9 million due to the increase in expected late payment risk and default risk applied to the amended Loan Notes cashflows. The expected credit loss provision represented 9.8% of the amounts outstanding under Loan Notes at 30 June 2020, resulting in a loss of US\$5.9 million to the income statement for 2020.

(ii) Barryroe – 4.5% Net Profit Interest (NPI)

SLE holds a 4.5% Net Profit Interest in the Barryroe oil field at fair value through profit and loss under IFRS 9. For the year ended 31 December 2019 the Board adopted a market-based valuation approach using the price of the publicly listed shares of Providence Resources plc ("Providence") (operator and holder of an owner of 80% interest in the Barryroe oil field) as its basis. The Directors believe the market's assessment of the current risks and uncertainties of the project have been reflected within the share price of Providence, and it is therefore appropriate to use this to update their valuation.

The 2020 announcements by Providence Resources PLC in relation to Standard Exploration Licence 1/11 which contains the Barryroe oil accumulation indicate an increased project risk given the uncertainty regarding project funding and therefore timing around the development of the asset. However, Providence is currently in the process of agreeing an appraisal work programme and a potential farmout with a prospective partner.

Given the share price of Providence at 30 June 2020, under the market-based valuation approach the Barryroe carrying value is to be revalued upwards by US\$1.6 million to a fair value of US\$4.4 million.

(iii) Amedeo Resources plc

As at 30 June 2020 and at 31 December 2019, the Company held 213,512 ordinary shares at a market value of US\$nil.

(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 considered the carrying value of this interest at 31 December 2019 and given the length of time to obtain Irish government approval for the transaction, the Directors felt it was prudent to carry 15% of Ardilaun shares still to be issued to San Leon at a value of US\$nil. This carrying value has been maintained at 30 June 2020.

12. Trade and other receivables

	Unaudited 30/06/20	Unaudited 30/06/19	Audited 31/12/19
	US\$'000	US\$'000	US\$'000
Amounts falling due within one year:			
Trade receivables from joint operating partners	-	64	2
Corporation tax refundable	49	84	52
VAT and other taxes refundable	162	308	134
Other debtors (i)	4,313	4,595	4,242
Expected credit loss on other debtors (i)	(3,532)	(3,532)	(3,532)
Prepayments and accrued income	198	265	89
Director's Loan (Note 20)	-	-	-
	1,190	1,784	987

(i) 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 since 2018.

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

13. Cash and cash equivalents

	Unaudited 30/06/20	Unaudited 30/06/19	Audited 31/12/19
	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	35,089	12,158	36,197
Solicitor client account (i)	500	-	500
	35,589	12,158	36,697

(i) Solicitor client account at 30 June 2020 and 31 December 2019 represents monies held on behalf of the Company by David M. Turner & Company Solicitors.

14. Trade and other payables

	Unaudited 30/06/20	Unaudited 30/06/19	Audited 31/12/19
	US\$'000	US\$'000	US\$'000
Current			
Trade payables	1,278	953	1,608
PAYE / PRSI	153	296	215
Other creditors	108	1,790	158
Accruals	2,141	1,571	3,092
Current portion of lease	333	204	333
Director's Loan	-	-	-
	4,013	4,814	5,406
Non-current			
Non-current portion of lease	2,404	2,749	2,501

15. Provisions

	Decommissioning US\$'000
Cost	
At 1 January 2019	760
Paid during the year	(702)
Exchange rate adjustment	(2)
At 31 December 2019	56
Paid during the period	-
At 30 June 2020	56
Current	56
Non-current	-
At 30 June 2019	56
Current	56
Non-current	-
At 31 December 2019	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.

16. Share capital

	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 30 June 2019	2,847,406,025	-	177,475
At 30 June 2020	2,847,406,025	-	177,475

	Number of New Ordinary shares €0.01 each	Number of Deferred Ordinary shares €0.0001 each	Share capital US\$'000	Share premium US\$'000
Issued called up and fully paid:				
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 30 June 2020	449,913,026	-	5,157	21,077
At 30 June 2019	455,622,127	-	5,219	21,077

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

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

Reduction of Capital

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

Tender offer

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

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

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

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

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

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

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 the 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.

In January 2020, under the Buyback Programme, the Company purchased a further 1,389,988 Ordinary Shares at an aggregate value of US\$0.5 million.

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.

Special reserve

Pursuant to the capital reduction in 2019, 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.

Special dividend paid

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

17. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Unaudited 30/06/20	Unaudited 30/06/19	Audited 31/12/19
	US\$'000	US\$'000	US\$'000
Financial assets – IFRS 9	(616)	(10,337)	(73)
Financial assets – other	175	115	175
Tax losses recognised	1,347	2,988	1,616
Total deferred tax asset/(liabilities)	906	(7,234)	1,718

18. Commitments and contingencies

(a) Operating leases

Cash commitments under operating leases (Note 19) are as follows:

	Unaudited 30/06/20	Unaudited 30/06/19	Audited 31/12/19
	US\$'000	US\$'000	US\$'000
Payable:			
Within one year	340	340	340
Between one and five years	1,348	1,348	1,348
Over five years	1,740	2,080	1,910
	3,428	3,768	3,598

(b) Exploration, evaluation and development activities

The Group has commitments of US\$nil (31/12/2019: US\$nil) in the period ended 30 June 2020 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

(c) Horizon Petroleum Ltd

The Group has contingent consideration in aggregate of US\$2.0 million in relation to the sale completed in August 2019 to Horizon Petroleum Ltd. outlined in Note 3.

19. Leases

Right-of-use asset (included within Property, plant and equipment)	
	At 30/06/20 US\$'000
Property leases	
At 1 January 2019	3,050
Additions	231
Depreciation charge for the year	(329)
At 1 January 2020	2,952
Depreciation charge for the period	(188)
Closing net carrying amount at 30 June 2020	2,764
Lease liability	
	At 30/06/20 US\$'000
Property leases	
At 1 January 2019	3,050
Payments – principal	(192)
Payments – interest	(144)
Currency translation adjustment	(24)
Interest	144
At 1 January 2020	2,834
Payments – principal	(97)
Payments – interest	(69)
Interest	69
Closing net carrying amount at 30 June 2020	2,737
Current	333
Non-current	2,404

20. Related party transactions

The Group has related party transactions with i) directors ii) shareholders iii) subsidiaries and iv) other entities with which it has entered into business arrangements which are a party to the OML 18 transaction (Note 11). Due to the influence or material interest that these parties have in transactions other than arrangements in the normal course of business with the 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 six years and six months and the option fee of US\$381,000 is included in other receivables (Note 12) and is refundable when the Company either exercises or terminates the option. In 2020 Mr. Fanning was paid US\$107,000 (31 December 2019: US\$221,195) rent for the use of this property by the Company.

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

Loan

A summary of the movement in the loan with Mr. Fanning is set out below:

	US\$'000
At 1 January 2019	727
Interest on loan	1
Exchange rate adjustment	(1)
Repayments by the Director during the period	(727)
At 30 June 2019	-

At 30 June 2019 the loan was fully repaid to the Company.

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

Director change in Shareholding

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

Discovery Energy Limited

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

Greenbay Energy Resources Limited

San Leon Energy plc and Greenbay Energy Limited have a common Director, Mutiu Sunmonu. San Leon has a consultancy agreement with Greenbay Energy Limited which was paid US\$45,637 for amounts due for 2020 (31 December 2019: US\$90,098).

In June 2019, San Leon Energy plc entered into an agreement with Caledonian Properties Nigeria Limited ("Caledonian"), a company owned by Mutiu Sunmonu, for the use of two properties in Lagos, Nigeria, in their entirety for two years from 1 July 2019. Caledonian was paid US\$220,000 for the period 1 July 2019 to 30 June 2021, and is included in prepayments (Note 12). 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 be 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 30 June 2020 this position has not changed.

Toscafund Asset Management LLP

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

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

OML 18

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

The Company undertook a number of steps to effect this purchase. MLPL, a company incorporated in Mauritius of which San Leon Nigeria B.V. has a 40% shareholding, was established as a special purpose vehicle to complete the transaction by purchasing all of the shares in Martwestern, a company incorporated in Nigeria.

Martwestern holds a 50% shareholding in Eroton, a company incorporated in Nigeria and the operator of OML 18, and it also holds an initial 98% economic interest in Eroton. To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed US\$174.5 million in incremental amounts by issuing loan notes with a coupon of 17% ("Loan Notes"). Midwestern is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL and the holder of an indirect economic interest in OML 18. San Leon is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL but the Loan Notes repayments take priority over any dividend payments made to the MLPL shareholders. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18. Shareholders will note this is higher than the percentage interest anticipated by San Leon at the time of the acquisition. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18 which has resulted in Martwestern's economic interest in Eroton now standing at 98%.

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

In the six month period to 30 June 2020 the expected credit loss further increased to US\$7.9 million (refer to Note 11(i)).

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 until the Loan Notes are repaid in full.

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

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

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

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

2017

As a consequence of MLPL not being in receipt of dividends in 2017, MLPL had to enter into a loan during 2017 and subsequently in order to be able to meet its obligations under the Loan Notes and make payments to San Leon. During 2017 San Leon received total payments under the Loan Notes totalling US\$39.6 million. All payments during 2017 were received by the due date and in accordance with the terms of the Loan Notes.

2018

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

2019

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

2020

On 6 April 2020 the Company entered into an agreement amending the Loan Notes Instrument (the "Amendment") between San Leon and MLPL. Under the terms of the Amendment, the remaining balance payable is approximately US\$82.1 million, following the receipt of US\$41.5 million in payments in 2020, at par value (accounted for as US\$79.5 million under IFRS). A further US\$10.0 million is scheduled to be settled on or before 6 October 2020, with the balance of the Loan Notes receivable payable in three quarterly instalments, commencing July 2021 and completing by December 2021. Due to the modification of the loan, it is expected that the amortised cost of the loan will change, however this is considered to be a non-substantial change.

The balance will continue to accrue a coupon rate of 17% per annum until repaid. All other material terms of the Loan Notes Instrument remain unchanged. MLPL also entered into loan agreements with third parties to enable it to make the repayments during 2020.

21. Subsequent events

Appointment of Nomad and Joint Broker

On 31 July 2020, Allenby Capital Limited were appointed as the Company's Nominated Adviser and Joint Broker.

On the same date the Company also announced that, pursuant to the acquisition of Whitman Howard Limited by Panmure Gordon & Co ("Panmure Gordon"), it appointed Panmure Gordon as its Joint Broker.

Acquisition of 10% Interest in Energy Link Infrastructure (Malta) Limited

On 3 August 2020, the Company announced it is investing US\$15.0 million in Energy Link Infrastructure (Malta) Limited ("ELI").

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 will be provided to ELI in two tranches with the first US\$10.0 million tranche being made in August 2020. The second tranche of US\$5.0 million is expected to be made in Q4 2020 following receipt from Midwestern Leon Petroleum Limited of the next repayment of Loan Notes that is due then.

Conditional provision of funding for development of Oza Field, Nigeria

On 1 September 2020, the Company conditionally agreed to invest US\$7.5 million by way of a loan to Decklar Petroleum Limited, the local subsidiary of Asian Mineral Resources Limited (now renamed to Decklar Resources Inc), listed on the Canadian TSX Venture Exchange. Decklar is the holder of a Risk Service Agreement ("RSA") with Millenium Oil and Gas Limited ("Millenium") on the Oza field in Nigeria. The Company will also subscribe for a 15% equity interest in Decklar.