# San Leon Energy plc

**Consolidated income statement**
*for the six months ended 30 June 2019*

| | Notes | **Unaudited 6 months ended 30/06/19 US$'000** | Unaudited 6 months ended 30/06/18 (restated)~ US$'000 | Audited Year ended 31/12/18 (restated)* US$'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue from contracts with customers | 2 | **176** | 129 | 205 |
| Cost of sales | | **(108)** | (68) | (98) |
| **Gross profit** | | **68** | 61 | 107 |
| Share of profit / (loss) of equity accounted investments | 8 | **97** | (9,453) | (14,846) |
| Administrative expenses | | **(5,921)** | (8,552) | (16,777) |
| Profit on disposal of subsidiaries | | **-** | - | 447 |
| Impairment / write off of exploration and evaluation assets | 7 | **-** | - | (3,170) |
| Decommissioning of wells | 16 | **-** | - | 500 |
| Expected credit losses | 5 | **-** | - | (3,644) |
| **Loss from operating activities** | | **(5,756)** | (17,944) | (37,383) |
| Finance expense | 3 | **(77)** | (673) | (2,494) |
| Finance income | 4 | **10,117** | 22,990 | 45,466 |
| Expected credit losses | 5 | **1,671** | 2,106 | 4,345 |
| Fair value movements in financial assets | 10 | **(17,900)** | 1,483 | 2,354 |
| **(Loss) / profit before income tax** | | **(11,945)** | 7,962 | 12,288 |
| Income tax | 6 | **5,170** | (342) | (3,896) |
| **(Loss) / profit for the period** | | **(6,775)** | 7,620 | 8,392 |
| **(Loss) / profit per share (cent) – total** | | | | |
| Basic (loss) / profit per share | | (1.39) | 1.52 | 1.69 |
| Diluted (loss) / profit per share | | (1.39) | 1.52 | 1.69 |

## Consolidated statement of other comprehensive income
*for the six months ended 30 June 2019*

| | Notes | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|---|
| **(Loss) / profit for the period** | | **(6,775)** | 7,620 | 8,392 |
| **Items that may be reclassified subsequently to profit and loss** | | | | |
| Foreign currency translation differences | | **(228)** | (4,802) | (9,172) |
| Recycling of currency translation reserve on disposal of subsidiaries | | **-** | - | (40) |
| Fair value movements in financial assets | 10 | **-** | (6) | 122 |
| Deferred tax on fair value movements in financial assets | | **-** | - | (40) |
| Total other comprehensive income | | **(228)** | (4,808) | (9,130) |
| **Total comprehensive (loss) / profit for the period** | | **(7,003)** | 2,812 | (738) |

* See Note 1.5 for further details
~ See Note 1.6 for further details

## San Leon Energy plc

**Consolidated statement of changes in equity**
*for the period ended 30 June 2019*

| **Unaudited 30 June 2019** | Share capital reserve US$'000 | Share premium reserve US$'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 | **178,219** | **504,196** | **-** | **(60,890)** | **16,772** | **2,016** | **82** | **(379,245)** | **261,150** |
| **Total comprehensive income for period** | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | - | (6,775) | (6,775) |
| **Other comprehensive income** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | (228) | - | - | - | - | (228) |
| Total comprehensive income for period | - | - | - | (228) | - | - | - | (6,775) | (7,003) |
| **Transactions with owners recognised directly in equity** | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | |
| Tender offer and reduction of capital | (145,447) | (459,721) | 5,024 | - | - | - | - | 569,632 | (30,512) |
| Share based payment | - | - | - | - | 216 | - | - | - | 216 |
| Issue of shares in lieu of salary | 63 | 2,019 | - | - | (66) | (2,016) | - | - | - |
| Effect of share options exercised | 3 | 96 | - | - | (72) | - | - | 72 | 99 |
| Effect of repricing of share options | - | - | - | - | 216 | - | - | - | 216 |
| Effect of options expired | - | - | - | - | (863) | - | - | 863 | - |
| Total transactions with owners | (145,381) | (457,606) | 5,024 | - | (569) | (2,016) | - | 570,567 | (29,981) |
| **Balance at 30 June 2019** | **32,838** | **46,590** | **5,024** | **(61,118)** | **16,203** | **-** | **82** | **184,547** | **224,166** |

# San Leon Energy plc

## Consolidated statement of changes in equity

*for the period ended 30 June 2019*

| Unaudited 30 June 2018 | Share capital reserve US$'000 | Share premium reserve US$'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 2018 (restated)* | **178,219** | **504,196** | **(51,590)** | **20,382** | **2,324** | **44** | **(383,323)** | **270,252** |
| **Restatements:** | | | | | | | | |
| IFRS 9: Expected credit loss provision[1] (a) | - | - | - | - | - | - | (9,679) | (9,679) |
| IFRS 9: Reclassification[1] (a) | - | - | (88) | - | - | (44) | 132 | - |
| Transfer to share based payment reserve from shares to be issued reserve[1] (b) | - | - | - | 1,189 | (1,189) | - | - | - |
| Other share based payment reserve adjustment[1] (c) | - | - | - | 153 | 102 | - | (255) | - |
| Balance as at 1 January 2018 (restated)[1] | 178,219 | 504,196 | (51,678) | 21,724 | 1,237 | - | (393,125) | 260,573 |
| **Total comprehensive income for period** | | | | | | | | |
| Profit for the period (restated)~ | - | - | - | - | - | - | 7,620 | 7,620 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation differences | - | - | (4,802) | - | - | - | - | (4,802) |
| Fair value movements in financial assets | - | - | - | - | - | (6) | - | (6) |
| Deferred tax on fair value movements in financial assets | - | - | - | - | - | - | - | - |
| Total comprehensive income for period | - | - | (4,802) | - | - | (6) | 7,620 | 2,812 |
| **Transactions with owners recognised directly in equity** | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | |
| Issue of shares for cash | - | - | - | - | - | - | - | - |
| Share based payment | - | - | - | 176 | 466 | - | - | 642 |
| Total transactions with owners | - | - | - | 176 | 466 | - | - | 642 |
| **Balance at 30 June 2018** | **178,219** | **504,196** | **(56,480)** | **21,900** | **1,703** | **(6)** | **(385,505)** | **264,027** |

* See Note 1.5 for further details

~ See Note 1.6 for further details

1 The balance as at 1 January 2018 has been restated to account for the following items:
a) On the adoption of IFRS 9 (Financial Instruments) on 1 January 2018 transitional adjustments were reflected in the opening equity position of the Group. This includes US$1.5 million in respect of the reclassification of "available for sale" assets to assets held at "fair value through profit and loss" reflecting cumulative historical changes in fair value that had been recorded in equity and is recorded as a credit to opening retained earnings. In addition, an opening adjustment to retained earnings of US$9.7 million has been made reflecting the impact of transition to IFRS 9 on the carrying values of financial assets and related credit loss provisions held.

There was also a US$1.4 million reclassification from the Fair value reserve to Retained earnings in respect of "available for sale" assets which the Group deems to have a US$nil value and is recorded as a debit to opening retained earnings.

See Note 1.6 for further details

b) An amount of US$1.2 million has been transferred from the Share based payment reserve to the Shares to be issued reserve in relation to the value of shares issued in lieu of salaries. There is no balance sheet impact on assets or liabilities and therefore a restatement of the balance sheet is not required.

c) An amount of US$0.2 million has been transferred from the Share based payment reserve to Retained earnings and an amount of US$0.1 million has been transferred from the Shares to be issued reserve to Retained earnings. There is no balance sheet impact on assets or liabilities and therefore a restatement of the balance sheet is not required.

# San Leon Energy plc

## Consolidated statement of changes in equity

*for the period ended 30 June 2019*

| Audited 31 December 2018 | Share capital reserve US$'000 | Share premium reserve US$'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 2018 (restated)* | **178,219** | **504,196** | **(51,590)** | **20,382** | **2,324** | **44** | **(383,323)** | **270,252** |
| **Restatements:** | | | | | | | | |
| IFRS 9: Expected credit loss provision[1] (a) | - | - | - | - | - | - | (9,679) | (9,679) |
| IFRS 9: Reclassification[1] (a) | - | - | (88) | - | - | (44) | 132 | - |
| Transfer to share based payment reserve from shares to be issued reserve[1] (b) | - | - | - | 1,189 | (1,189) | - | - | - |
| Other share based payment reserve adjustment[1] (c) | - | - | - | 153 | 102 | - | (255) | - |
| Balance as at 1 January 2018 (restated)[1] | 178,219 | 504,196 | (51,678) | 21,724 | 1,237 | - | (393,125) | 260,573 |
| **Total comprehensive income for year** | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 8,392 | 8,392 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation differences | - | - | (9,172) | - | - | - | - | (9,172) |
| Recycling of currency translation reserve on disposal of subsidiaries | - | - | (40) | - | - | - | - | (40) |
| Fair value movements in financial assets | - | - | - | - | - | 122 | - | 122 |
| Deferred tax on fair value movements in financial assets | - | - | - | - | - | (40) | - | (40) |
| Total comprehensive income for year | - | - | (9,212) | - | - | 82 | 8,392 | (738) |
| **Transactions with owners recognised directly in equity** | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | |
| Share based payment | - | - | - | 536 | 779 | - | - | 1,315 |
| Effect of share options cancelled | - | - | - | (5,488) | - | - | 5,488 | - |
| Total transactions with owners | - | - | - | (4,952) | 779 | - | 5,488 | 1,315 |
| **Balance at 31 December 2018** | **178,219** | **504,196** | **(60,890)** | **16,772** | **2,016** | **82** | **(379,245)** | **261,150** |

* See Note 1.5 for further details

1 The balance as at 1 January 2018 has been restated to account for the following items:

a) On the adoption of IFRS 9 (Financial Instruments) on 1 January 2018 transitional adjustments were reflected in the opening equity position of the Group. This includes US$1.5 million in respect of the reclassification of "available for sale" assets to assets held at "fair value through profit and loss" reflecting cumulative historical changes in fair value that had been recorded in equity and is recorded as a credit to opening retained earnings. In addition, an opening adjustment to retained earnings of US$9.7 million has been made reflecting the impact of transition to IFRS 9 on the carrying values of financial assets and related credit loss provisions held.

There was also a US$1.4 million reclassification from the Fair value reserve to Retained earnings in respect of "available for sale" assets which the Group deems to have a US$nil value and is recorded as a debit to opening retained earnings.

b) An amount of US$1.2 million has been transferred from the Share based payment reserve to the Shares to be issued reserve in relation to the value of shares issued in lieu of salaries. There is no balance sheet impact on assets or liabilities and therefore a restatement of the balance sheet is not required.

c) An amount of US$0.2 million has been transferred from the Share based payment reserve to Retained earnings and an amount of US$0.1 million has been transferred from the Shares to be issued reserve to Retained earnings. There is no balance sheet impact on assets or liabilities and therefore a restatement of the balance sheet is not required.

# San Leon Energy plc

## Consolidated statement of financial position

*as at 30 June 2019*

| | Notes | **Unaudited 30/06/19** | Unaudited 30/06/18 (restated)~ | Audited 31/12/18 (restated)* |
|---|---|---|---|---|
| | | **US$'000** | US$'000 | US$'000 |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 7 | **-** | 3,025 | - |
| Equity accounted investments | 8 | **55,167** | 60,463 | 55,070 |
| Property, plant and equipment | 9 | **4,566** | 2,298 | 1,964 |
| Financial assets | 10 | **106,111** | 119,466 | 124,877 |
| Other non-current assets | | **206** | 209 | 206 |
| | | **166,050** | 185,461 | 182,117 |
| **Current assets** | | | | |
| Inventory | | **256** | 249 | 272 |
| Trade and other receivables | 11 | **1,784** | 5,192 | 2,440 |
| Financial assets | 10 | **59,430** | 70,397 | 57,610 |
| Cash and cash equivalents | 12 | **12,158** | 26,321 | 40,762 |
| | | **73,628** | 102,159 | 101,084 |
| **Total assets** | | **239,678** | 287,620 | 283,201 |
| | | | | |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Called up share capital | 17 | **32,838** | 178,219 | 178,219 |
| Share premium account | 17 | **46,590** | 504,196 | 504,196 |
| Special reserve | 17 | **5,024** | - | - |
| Share based payments reserve | | **16,203** | 21,900 | 16,772 |
| Shares to be issued reserve | | **-** | 1,703 | 2,016 |
| Currency translation reserve | | **(61,118)** | (56,480) | (60,890) |
| Fair value reserve | | **82** | (6) | 82 |
| Retained earnings | | **184,547** | (385,505) | (379,245) |
| Total equity attributable to equity shareholders | | **224,166** | 264,027 | 261,150 |
| | | | | |
| **Non-current liabilities** | | | | |
| Derivative | | **659** | 497 | 659 |
| Trade and other payables | 14 | **2,749** | - | - |
| Deferred tax liabilities | 18 | **7,234** | 9,112 | 12,404 |
| | | **10,642** | 9,609 | 13,063 |
| | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 14 | **4,813** | 9,180 | 8,228 |
| Loans and borrowings | 15 | **-** | 1,866 | - |
| Provisions | 16 | **57** | 1,772 | 760 |
| Liabilities classified as held for sale | 13 | **-** | 1,166 | - |
| | | **4,870** | 13,984 | 8,988 |
| **Total liabilities** | | **15,512** | 23,593 | 22,051 |
| **Total equity and liabilities** | | **239,678** | 287,620 | 283,201 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

# San Leon Energy plc

## Consolidated statement of cash flows

*for the six months ended 30 June 2019*

| | Notes | **Unaudited 6 months ended 30/06/19** | Unaudited 6 months ended 30/06/18 (restated)~ | Audited Year ended 31/12/18 (restated)* |
|---|---|---|---|---|
| | | **US$'000** | US$'000 | US$'000 |
| **Cash flows from operating activities** | | | | |
| Profit / (loss) for the period – continuing operations | | **(6,775)** | 7,620 | 8,392 |
| Adjustments for: | | | | |
| Depletion and depreciation | 9 | **446** | 497 | 877 |
| Finance expense | 3 | **77** | 673 | 2,494 |
| Finance income | 4 | **(10,117)** | (22,990) | (45,466) |
| Share based payments charge | | **433** | 678 | 1,315 |
| Foreign exchange | | **(701)** | 890 | (618) |
| Income tax | 6 | **(5,170)** | 342 | 3,896 |
| Impairment of exploration and evaluation assets – continuing operations | | **-** | - | 3,170 |
| Expected credit losses | 5 | **(1,671)** | (2,106) | (701) |
| Profit on disposal of subsidiaries | | **-** | - | (447) |
| Decommissioning costs | 16 | **-** | - | (500) |
| Decommissioning payments | | **(703)** | - | (496) |
| Fair value movements in financial assets | | **17,900** | (1,483) | (2,354) |
| Decrease / (increase) in inventory | | **16** | 79 | 50 |
| Decrease/ (increase) in trade and other receivables | | **(117)** | 49 | (132) |
| Increase / (decrease) in trade and other payables | | **(3,572)** | (7,794) | (8,700) |
| Share of loss of equity accounted investments | 8 | **(97)** | 9,453 | 14,846 |
| Tax paid | | **-** | 2 | (54) |
| **Net cash outflow in operating activities** | | **(10,051)** | (14,090) | (24,428) |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Expenditure on exploration and evaluation assets | 7 | **-** | (108) | (211) |
| Purchases of property, plant and equipment | 9 | **-** | 25 | (75) |
| OML 18 Loan Notes repayments received | 10 | **10,698** | 35,991 | 64,604 |
| **Net cash inflow from investing activities** | | **10,698** | 35,908 | 64,318 |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Share buyback (Tender Offer) | 17 | **(30,512)** | - | - |
| Repayment on lease obligations | | **(170)** | - | - |
| Proceeds from issue of shares | 17 | **99** | - | - |
| Loans advanced | | **-** | - | 458 |
| Repayment of other loans | | **-** | (2,995) | (4,769) |
| Dissenting shareholder payment | 16 | **-** | (50) | (50) |
| Movement in Director loan | | **-** | (1,460) | - |
| Loans issued to Directors | | **-** | - | (724) |
| Loans repaid to Directors | | **-** | - | (1,911) |
| Loans repaid by Directors | 11 | **727** | - | - |
| Interest on Directors loan | 4 | **1** | - | 2 |
| Interest and investment income received | 4 | **135** | - | 104 |
| Interest and arrangement fees paid | | **(4)** | (673) | (2,320) |
| **Net cash outflow from financing activities** | | **(29,724)** | (5,178) | (9,210) |
| | | | | |
| **Net increase in cash and cash equivalents** | | **(29,077)** | 16,640 | 30,680 |
| Effect of foreign exchange fluctuation on cash and cash equivalents | | **473** | 371 | 772 |
| **Cash and cash equivalents at start of period** | | **40,762** | 9,310 | 9,310 |
| **Cash and cash equivalents at end of period** | 12 | **12,158** | 26,321 | 40,762 |

* See Note 1.5 for further details

~ See Note 1.6 for further details

# San Leon Energy plc

**Notes to the Interim Consolidated Financial Statements**
*for the six months ended 30 June 2019*

## 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 2018. 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 2018 which are available on the Group's website www.sanleonenergy.com.

These unaudited Half year results were approved by the Board of Directors on 29 September 2019.

### 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 2018 with the exception of changes in accounting policy in respect of IFRS 16, Leases and International Financial Reporting Interpretations Committee ("IFRIC") 23: Uncertainty Over Income Tax Treatment which are described below.

The following standards are effective from 1 January 2019.

**IFRS 16 *Leases***

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

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

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

***Definition of a lease***

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

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

***Transition***

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

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

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

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

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

The impact on the financial statements on transition to IFRS 16 is outlined in note 19.

***Measurement***

The Group recognises right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments at the lease commencement date. The right-of use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses.

Lease liabilities are measured at the present value of the future lease payments, discounted at the Group's incremental borrowing rate. Subsequent to the initial measurement, the lease liabilities are increased by the interest cost and reduced by lease payments made.

The right-of-use assets and lease liabilities are remeasured when there are changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised or where there is a change in future lease payments as a result of a change in an index or rate. The Group applies judgement when determining the lease term where renewal and termination options are contained in the lease contract.

**IFRIC 23 *Uncertainty over income tax treatment***

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

### 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 2018.

### 1.4 Going concern

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.

### 1.5 31 December 2018 Restatements

On 1 January 2019 the Group's presentation currency changed from Euro to US Dollars, given that a significant majority of Group earnings are now denominated in US Dollars (US$). The Group believes that the presentation currency change will give investors and other stakeholders a clearer understanding of the Group's performance over time.

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

– Assets and liabilities are translated into US$ at closing rates of exchange. Trading results are translated into US$ at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the period have been presented in the currency translation reserve, a component within shareholders' equity.
– Share capital, share premiums and other reserves are translated at historic rates prevailing at the dates of transactions.
– Cumulative currency translation adjustments are presented as if the Group had always used US$ as the presentation currency of its consolidated financial statements.

### 1.6 30 June 2018 Restatements

The 30 June 2018 results have been restated for the change in presentation currency as described in Note 1.5 above.

In addition, the Group's financial statements for the year ended 31 December 2018 included transitional adjustments made to the opening statement of financial position and statement of changes in equity in relation to the adoption of IFRS 9 (Financial Instruments) from 1 January 2018, and applied the standard to the results in the Group's financial statements for the year ended 31 December 2018.

The Group's interim financial statements for the 6 months ended 30 June 2018 did not show the impact of the adoption of IFRS 9 and did not include these adjustments. In accordance with the treatment of errors described IAS 8, a prior period restatement has been made to the statement of financial position as at 30 June 2018, the income statement and the statement of changes in equity for the period to 30 June 2018 to reflect the IFRS 9 transitional adjustments as at 1 January 2018 and the impact for the period to 30 June 2018 of adopting IFRS 9.

The impact of this prior period restatement on the Group's interim financial statements for the 6 months ended 30 June 2018 is as follows:

Consolidated statement of changes in equity for the period to 30 June 2018:
– The recognition of an expected credit loss provision as at 1 January 2018 of US$9.7 million and a decrease in opening retained earnings. The expected credit loss ("ECL") provision was recognised as an opening adjustment in the 31 December 2018 annual financial statements.
– The transfer of US$0.1 million from the fair value reserve and currency translation reserve to retained profits in respect of assets held at fair value through profit and loss. This reflected cumulative historical changes in fair value that had been recorded in equity and is recorded as a credit to opening retained earnings. There was no effect on the net assets of the company as a result of the transfer. The transfer was recognised as an opening adjustment in the 31 December 2018 annual financial statements.

Consolidated statement of financial position as at 30 June 2018:

- The recognition of an expected credit loss provision of US$7.6 million and a decrease in retained earnings.

Consolidated income statement for the 6 month period to 30 June 2018:

- A profit of US$2.1 million relating to the reduction of the expected credit loss provision.
- A profit of US$1.5 million relating to the fair value movements in financial assets and a corresponding tax charge of US$0.5 million.

No restatement for these matters is required in respect of the Group's financial statements for the year ended 31 December 2018.

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

**2. Revenue and segmental information**

| **At 30/06/2019 (Unaudited)** | **Poland** US$'000 | **Morocco** US$'000 | **Albania** US$'000 | **Nigeria** US$'000 | **Ireland** US$'000 | **Unallocated #** US$'000 | **Total** US$'000 |
|---|---|---|---|---|---|---|---|
| Total revenue | **176** | **-** | **-** | **-** | **-** | **-** | **176** |
| Segment (loss) / profit before income tax | **(205)** | **(74)** | **(89)** | **11,438** | **(17,900)** | **(5,115)** | **(11,945)** |
| Intangible assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Property, plant and equipment | **47** | **-** | **-** | **1,557** | **-** | **2,962** | **4,566** |
| Impairment of exploration and evaluation assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Equity accounted investments | **-** | **-** | **-** | **55,167** | **-** | **-** | **55,167** |
| Segment non-current assets | **47** | **-** | **-** | **126,968** | **35,867** | **3,168** | **166,050** |
| Capital expenditure ^ | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Segment liabilities | **(192)** | **(591)** | **(800)** | **-** | **-** | **(13,929)** | **(15,512)** |

| **At 30/06/2018 (Unaudited)** | **Poland** (restated)~ US$'000 | **Morocco** (restated)~ US$'000 | **Albania** (restated)~ US$'000 | **Nigeria** (restated)~ US$'000 | **Ireland** (restated)~ US$'000 | **Unallocated #** (restated)~ US$'000 | **Total** (restated)~ US$'000 |
|---|---|---|---|---|---|---|---|
| Total revenue | 129 | - | - | - | - | - | 129 |
| Segment profit / (loss) before income tax | (1,865) | 93 | (1) | 15,461 | 1,483 | (7,209) | 7,962 |
| Intangible assets | - | - | 3,025 | - | - | - | 3,025 |
| Property, plant and equipment | 72 | - | - | 2,219 | - | 7 | 2,298 |
| Impairment of exploration and evaluation assets | - | - | - | - | - | - | - |
| Equity accounted investments | - | - | - | 60,463 | - | - | 60,463 |
| Segment non-current assets | 72 | - | 3,025 | 128,526 | 53,721 | 217 | 185,561 |
| Capital expenditure ^ | - | - | 124 | - | - | - | 124 |
| Segment liabilities | - | (624) | (3,925) | - | (778) | (18,266) | (23,593) |

| **At 31/12/2018 (Audited)** | **Poland** (restated)* US$'000 | **Morocco** (restated)* US$'000 | **Albania** (restated)* US$'000 | **Nigeria** (restated)* US$'000 | **Ireland** (restated)* US$'000 | **Unallocated #** (restated)* US$'000 | **Total** (restated)* US$'000 |
|---|---|---|---|---|---|---|---|
| Total revenue | 205 | - | - | - | - | - | 205 |
| Segment profit / (loss) before income tax | (468) | - | (3,209) | 34,859 | 2,389 | (21,283) | 12,288 |
| Intangible assets | - | - | - | - | - | - | - |
| Property, plant and equipment | 50 | - | - | 1,867 | 47 | - | 1,964 |
| Impairment of exploration and evaluation assets | - | - | (3,170) | - | - | - | (3,170) |
| Equity accounted investments | - | - | - | 55,070 | - | - | 55,070 |
| Segment non-current assets | 49 | - | - | 128,048 | 53,767 | 252 | 182,116 |
| Capital expenditure ^ | - | - | 211 | - | - | - | 211 |
| Segment liabilities | (911) | (661) | (816) | - | - | (19,663) | (22,051) |

^ This is the net expenditure incurred by the Group excluding amounts incurred by partners on shared exploration interests. It includes assets acquired through business combinations and equity accounted investments.

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

* See Note 1.5 for further details

~ See Note 1.6 for further details

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

### 3. Finance expense

| | **Unaudited 6 months ended 30/06/19** | Unaudited 6 months ended 30/06/18 (restated)~ | Audited Year ended 31/12/18 (restated)* |
|---|---|---|---|
| | **US$'000** | US$'000 | US$'000 |
| On loans and overdraft | **4** | 155 | 148 |
| Finance arrangement expenses | **-** | 518 | 2,172 |
| Interest on obligations for leases | **73** | - | - |
| Fair value charge on issue of options and warrants | **-** | - | 174 |
| | **77** | 673 | 2,494 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

### 4. Finance income

| | **Unaudited 6 months ended 30/06/19** | Unaudited 6 months ended 30/06/18 (restated)~ | Audited Year ended 31/12/18 (restated)* |
|---|---|---|---|
| | **US$'000** | US$'000 | US$'000 |
| Total finance income on Loan Notes (Note 10) | **9,981** | 19,464 | 38,794 |
| Foreign exchange gain on Loan Notes, Valuation (Note 10) | **-** | 3,642 | 7,017 |
| Foreign exchange loss on Loan Notes, ECL (Note 10) | **-** | (299) | (451) |
| Deposit interest received | **135** | - | 104 |
| Interest on Directors' loan | **1** | - | 2 |
| Interest and fees receivable from NSP Investment Holdings Limited | **-** | 183 | - |
| | **10,117** | 22,990 | 45,466 |

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

* See Note 1.5 for further details
~ See Note 1.6 for further details

### 5. Expected credit losses

| | **Unaudited 6 months ended 30/06/19** | Unaudited 6 months ended 30/06/18 (restated)~ | Audited Year ended 31/12/18 (restated)* |
|---|---|---|---|
| | **US$'000** | US$'000 | US$'000 |
| Loan Notes gain (Note 10) | **1,671** | 2,106 | 4,345 |
| Other debtors provision (Note 11) | **-** | - | (3,644) |
| | **1,671** | 2,106 | 701 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

# San Leon Energy plc

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

**6. Income tax**

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| **Current tax:** | | | |
| Current year income tax | **3** | 5 | 3 |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | **631** | (153) | 3,220 |
| Deferred tax movement in Barryroe NPI | **(5,804)** | 490 | 788 |
| Deferred tax movement on fair value of other financial assets, Quoted shares | **-** | - | (155) |
| Deferred tax movement on fair value of other financial assets, Unquoted shares | **-** | - | 40 |
| Total income tax (credit) / charge | **(5,170)** | 342 | 3,896 |

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 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| **Current tax:** | | | |
| (Loss) / profit before income tax | **(11,945)** | 7,962 | 12,288 |
| Tax on (loss) / profit at applicable Irish corporation tax rate of 25% (2018: 25%) | **(2,986)** | 1,991 | 3,072 |
| **Effects of:** | | | |
| Deferred tax on fair value movement in financial assets | **-** | - | 191 |
| Prior year adjustment | **-** | - | (115) |
| Effect of different tax rates | **(646)** | - | - |
| Losses utilised in year | **-** | - | (3,181) |
| Expenses not deductible for tax purposes | **3,222** | 6,736 | 2,476 |
| Income tax withheld | **3** | 3 | 3 |
| Polish tax liability | **-** | 2 | - |
| Excess losses carried forward | **(4,763)** | (8,390) | 1,450 |
| Tax (credit) / charge for the period | **(5,170)** | 342 | 3,896 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

### 7. Intangible assets

**Exploration and evaluation assets**

| | **Unaudited 30/06/19 US$'000** |
|---|---|
| **Cost and net book value** | |
| **At 1 January 2018** (restated)* | 3,000 |
| Additions | 211 |
| Write off/impairment of exploration assets | (3,170) |
| Exchange rate adjustment | (41) |
| **At 31 December 2018** (restated)* | **-** |
| Additions | - |
| **At 30 June 2019** | **-** |

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

| | **Unaudited 6 months ended 30/06/19** | Unaudited 6 months ended 30/06/18 (restated)~ | Audited Year ended 31/12/18 (restated)* |
|---|---|---|---|
| Albania | **-** | 3,025 | - |
| **Total** | **-** | 3,025 | - |

* See Note 1.5 for further details
~ See Note 1.6 for further details

The Directors considered the carrying value at 31 December 2018 of capitalised costs in respect of its exploration and evaluation assets. 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 at the time, the Directors impaired the exploration and evaluation assets by US$3.2 million for the year ended 31 December 2018.

### 8. Equity accounted investments

**Midwestern Leon Petroleum Limited**

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| Opening balance | **55,070** | 69,916 | 69,916 |
| Share of profit / (loss) of equity accounted investments | **97** | (9,453) | (14,846) |
| Closing balance | **55,167** | 60,463 | 55,070 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

# San Leon Energy plc

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

**9. 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 2018 (restated)* | - | 9,697 | 1,252 | 459 | 11,408 |
| Additions / (disposals) | - | - | 75 | - | 75 |
| Currency translation adjustment | - | (617) | (69) | (30) | (716) |
| At 31 December 2018 (restated)* | - | 9,080 | 1,258 | 429 | 10,767 |
| Adoption of IFRS 16 leases (i) | 3,050 | - | - | - | 3,050 |
| Exchange rate adjustment | - | 36 | (1) | (2) | 33 |
| **At 30 June 2019** | **3,050** | **9,116** | **1,257** | **427** | **13,850** |
| At 30 June 2018 (restated)~ | - | 9,145 | 1,200 | 430 | 10,775 |

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

| | Leased assets US$'000 | Plant & equipment US$'000 | Office equipment US$'000 | Motor vehicles US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Depreciation** | | | | | |
| At 1 January 2018 (restated)* | - | 6,852 | 1,230 | 449 | 8,531 |
| Charge for the year | - | 864 | 6 | 7 | 877 |
| Currency translation adjustment | - | (509) | (67) | (29) | (605) |
| At 31 December 2018 (restated)* | - | 7,207 | 1,169 | 427 | 8,803 |
| Exchange rate adjustment | - | 37 | 1 | (3) | 35 |
| Charge for the period | 130 | 314 | (1) | 3 | 446 |
| **At 30 June 2019** | **130** | **7,558** | **1,169** | **427** | **9,284** |
| At 30 June 2018 (restated)~ | - | 6,873 | 1,180 | 424 | 8,477 |
| | | | | | |
| **Net book values** | | | | | |
| **At 30 June 2019** | **2,920** | **1,558** | **88** | **-** | **4,566** |
| At 30 June 2018 (restated)~ | - | 2,272 | 20 | 6 | 2,298 |
| At 31 December 2018 (restated)* | - | 1,873 | 89 | 2 | 1,964 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

## San Leon Energy plc

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

**10. Financial assets**

| | OML 18 (i) US$'000 | Barryroe 4.5% net profit interest (ii) US$'000 | Quoted shares (iii) US$'000 | Unquoted shares (iv) US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **New classification under IFR9** | Amortised cost | FVTPL | FVOCI- equity instrument | FVOCI- equity instrument | |
| **Cost / Valuation** | | | | | |
| At 1 January 2018 (restated)* | 161,696 | 51,142 | 35 | 2,625 | 215,498 |
| Finance income | 38,794 | - | - | - | 38,794 |
| Loan Notes receipts | (66,636) | - | - | - | (66,636) |
| Exchange rate adjustment, Income statement | 7,017 | - | - | - | 7,017 |
| Fair value movement, Income statement | - | 2,389 | (35) | - | 2,354 |
| Fair value movement, Other comprehensive income | - | - | - | 122 | 122 |
| Exchange rate adjustment | (6,684) | (2,389) | - | (122) | (9,195) |
| At 31 December 2018 (restated)* | 134,187 | 51,142 | - | 2,625 | 187,954 |
| Finance income | 9,981 | - | - | - | 9,981 |
| Loan Notes receipts | (10,698) | - | - | - | (10,698) |
| Fair value movement, Income statement | - | (17,900) | - | - | (17,900) |
| At 30 June 2019 | 133,470 | 33,242 | - | 2,625 | 169,337 |
| | | | | | |
| **Expected Credit Loss Provision** | | | | | |
| At 1 January 2018 (restated)* | - | - | - | - | - |
| Recognised on transition to IFRS 9 | (9,679) | - | - | - | (9,679) |
| Released in the year | 4,345 | - | - | - | 4,345 |
| Exchange rate adjustment, Income statement | (451) | - | - | - | (451) |
| Exchange rate adjustment | 318 | - | - | - | 318 |
| At 31 December 2018 (restated)* | **(5,467)** | **-** | **-** | **-** | **(5,467)** |
| Released in the period | 1,671 | - | - | - | 1,671 |
| **At 30 June 2019** | **(3,796)** | **-** | **-** | **-** | **(3,796)** |
| | | | | | |
| **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 30 June 2018 (restated)~ | 136,141 | 51,142 | 28 | 2,552 | 189,863 |
| Current (restated)~ | 70,397 | - | - | - | 70,397 |
| Non-current (restated)~ | 65,744 | 51,142 | 28 | 2,552 | 119,466 |
| | | | | | |
| Book value at 31 December 2018 (restated)* | 128,720 | 51,142 | - | 2,625 | 182,487 |
| Current (restated)* | 57,610 | - | - | - | 57,610 |
| Non-current (restated)* | 71,110 | 51,142 | - | 2,625 | 124,877 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

**(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. Midwestern Leon Petroleum Limited ("MLPL"), a company incorporated in Mauritius of which San Leon Nigeria B.V. has a 40% shareholding, was established as a special purpose vehicle to complete the transaction by purchasing all of the shares in Martwestern Energy Limited ("Martwestern"), a company incorporated in Nigeria. Martwestern holds a 50% shareholding in Eroton Exploration and Production Company Limited ("Eroton"), a company incorporated in Nigeria and the operator of 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, as reported in the annual financial statements for the year ended 31 December 2018.

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"). Midwestern Oil and Gas Company Limited is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL. 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 could 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 | 188,400 |
| Fair value of Loan Notes attributable to equity investment # | (30,900) |
| Net fair value of Loan Notes | 157,500 |
| Arrangement fees | (5,500) |
| Additions to Financial Assets in 2016 including accrued interest at date of acquisition | 152,000 |

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

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

| Valuation technique | Significant unobservable inputs | Inter-relationships between the unobservable inputs and fair value measurement |
|---|---|---|
| Discounted cash flows | – Discount rate 25% based on a market rate of interest of 8% above the coupon rate of 17%<br>– MLPL ability to generate cash flows for timely repayment<br>– Loan Notes are repayable in full by 30 September 2020. | The estimated fair value would increase / (decrease) if:<br>– (31/12/18 & 30/06/18: US Dollar exchange rate increased / (decreased) |

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

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 loan arrangements in 2017 and 2018, in order to be able to meet its obligations under the Loan Notes and make payments to San Leon.

During 2018 San Leon received total payments under the Loan Notes of US$66.2 million. As at 31 December 2018 there was US$134.2 million due under the Loan Notes.

During 2019 management chose to further improve the estimation of amounts in respect of the MLPL loan and this has resulted in a reforecast of expected cash flows. This reforecast together with the repayment of principal in the period has resulted in finance income decreasing to US$10.0 million which is lower than that reported for the 30 June 2018 comparative year.

In the six month period to 30 June 2019 San Leon received total payments under the Loan Notes of US$10.7 million. As at 30 June 2019 there was US$133.5 million due under the Loan Notes.

Since this reporting date, 30 June 2019, the Company has received a further US$27.1 million of Loan Notes repayments.

US$18.0 million was due on 1 July 2019 under the terms of the Loan Notes of which US$7.0 million remains outstanding.

The Directors of San Leon have considered the credit risk of the Loan Notes at 31 December 2018 and 30 June 2019. Due to the inability of Eroton to make dividend distributions, the directors 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 Note is not considered credit impaired on the basis of operational reports and forward-looking management information of OML 18 which are consistent with successful exploitation of the field over its life, and the funding facilities expected to be available to MLPL over the short to medium term.

The Loan Notes are unique assets for which there is no directly comparable market data. The lifetime expected credit loss of the Loan Notes has been determined based on publicly available macroeconomic data of 12-month default rates by geography, industry and rating, and considering forward-looking information with regard to oil prices and operational and financial reports of the borrower to determine whether any adjustment to the historical trends is appropriate at 1 January 2018, 31 December 2018 or 30 June 2019. An annual expected credit loss of 3.11% was considered to be an appropriate rate from which to extrapolate a lifetime expected credit loss as at 1 January 2018, 31 December 2018 and 30 June 2019. In management's view the outlook for oil pricing and the OML 18 oil reserves is broadly stable over the term of the loan and does not provide evidence of a change in future risk from the historical trend.

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

The Company determined that the expected credit loss provision of US$9.7 million, being 5.8% of the balance at 1 January 2018 was appropriate. This declined to US$5.5 million due to the lifetime of the Loan Notes reducing by 12 months, reducing the expected probability of default over the remaining loan term to 4.1%, and the repayments made in 2018 reducing the balance at that date, resulting in a gain of US$4.2 million to the income statement for the year ended 31 December 2018.

In the six month period to 30 June 2019 this further declined to US$3.8 million due to the lifetime of the Loan Notes reducing by 6 months, reducing the expected probability of default over the remaining loan term to 3.9%, and the repayments made in 2019 reducing the balance at that date, resulting in a gain of US$1.7 million to the income statement for 2019.

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

San Leon holds a 4.5% Net Profit Interest in the Barryroe oil field at fair value through profit and loss under IFRS 9 (previously held as an "available for sale" financial asset at fair value under IAS 39). Prior to 31 December 2018 the valuation approach has been based upon a financial model with updated assumptions. For the period ended 31 December 2018 the Board considered detailed assumptions, public information and modelling contained within the most recent broker report (dated 12 December 2018). The significant observable inputs to this model are described in the Group's financial statements for the year ended 31 December 2018.

The 2019 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. While the site survey on the project commenced, these delays will impact the timing of future cash flows and valuation for San Leon. Given the latest announcements and incorporating the possible project delay, the directors have reviewed the modelling assumptions regarding timing, oil price, costs and risk, and consider it reasonable and appropriate to impair the Barryroe carrying value by US$17.9 million to US$33.2 million to reflect their estimate of the impact of these risks to the future cash flows on the value of the asset.

**(iii) Amedeo Resources plc**
As at 30 June 2019 and at 31 December 2018, 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 2017 and given the length of time to obtain Irish government approval for the transaction, the Directors felt it is prudent to carry 15% of Ardilaun shares still to be issued to San Leon at a lower value of US$2.6 million. This carrying value was maintained at 31 December 2018. The Directors considered the carrying value at 30 June 2019 and decided to maintain the value from 31 December 2018.

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

### 11. Trade and other receivables

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| **Amounts falling due within one year:** | | | |
| Trade receivables from joint operating partners | **64** | - | 38 |
| Corporation tax refundable | **84** | - | 38 |
| VAT and other taxes refundable | **308** | 274 | 474 |
| Other debtors (i) | **1,063** | 4,696 | 4,629 |
| Expected credit loss on other debtors (i) | **-** | - | (3,644) |
| Exchange rate adjustment, Expected credit loss on other debtors | **-** | - | 112 |
| Prepayments and accrued income | **265** | 222 | 66 |
| Director's Loan | **-** | - | 727 |
| | **1,784** | 5,192 | 2,440 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

(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 due plus interest accrued in 2018.

Other debtors also include deposits for rent, other assets and amounts due from Gemini Resources Limited (Note 13 (i)).

### 12. Cash and cash equivalents

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| Cash and cash equivalents | **12,158** | 26,321 | 40,762 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

### 13. Held for sale assets and liabilities

**(i) Gemini Resources Limited**
In December 2018, the Group completed the sale of two wholly owned subsidiaries, Gora Energy Sp. z o.o. ('Gora') and Liesa Energy Sp. z o.o. ('Liesa'), to Gemini Resources Limited ('Gemini') that were held for sale as at 31 December 2017. Gemini paid a nominal cash consideration of EUR€1 plus a 5% net profits interest in each of two concessions, namely the Gora Concession in Gora and Nowa Sol Concession in Liesa. Following completion, the Group no longer has decommissioning liabilities associated with Gora and Liesa, which had been already provided for as at 31 December 2017. This resulted in a US$1.18 million gain and was included in Profit on sale of subsidiaries in the Income Statement as at 31 December 2018. Gemini also agreed to pay reimbursable back costs of US$192,607 which is included in other debtors.

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

**(ii) Horizon Petroleum Ltd.**

See Note 21, Subsequent events.

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

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| **Assets** | | | |
| Exploration and evaluation assets | **-** | - | - |
| **Liabilities** | | | |
| Decommissioning provision | **-** | 1,166 | - |

* See Note 1.5 for further details
~ See Note 1.6 for further details

### 14. Trade and other payables

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | **952** | 4,297 | 4,555 |
| PAYE / PRSI | **296** | 180 | 228 |
| Other creditors | **1,790** | 2,241 | 970 |
| Accruals | **1,571** | 1,977 | 2,475 |
| Current portion of lease | **204** | - | - |
| Director's Loan | **-** | 485 | - |
| | **4,813** | 9,180 | 8,228 |

| | | | |
|---|---|---|---|
| **Non-current** | | | |
| Non-current portion of lease | **2,749** | - | - |

* See Note 1.5 for further details
~ See Note 1.6 for further details

The increase in the current and non-current portion of leases related to the implementation of IFRS 16 Leases. Refer to note 19 for further details.

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

### 15. Loans and borrowings

| | **Unaudited 30/06/19 US$'000** | Unaudited 30/06/18 (restated)~ US$'000 | Audited 31/12/18 (restated)* US$'000 |
|---|---|---|---|
| **Current** | | | |
| YA Global Masters SPV Limited | **-** | 1,866 | - |

* See Note 1.5 for further details
~ See Note 1.6 for further details

The loan payable to YA Global Masters SPV Limited was settled in July 2018.

### 16. Provisions

| | **Decommissioning US$'000** | **Other US$'000** | **Total US$'000** |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2018 (restated)* | 1,823 | 50 | 1,873 |
| Decrease in provision during the year | (500) | - | (500) |
| Paid during the year | (496) | (50) | (546) |
| Exchange rate adjustment | (67) | - | (67) |
| At 31 December 2018 (restated)* | 760 | - | 760 |
| Paid during the period | (703) | - | (703) |
| **At 30 June 2019** | **57** | **-** | **57** |
| **Current** | **57** | **-** | **57** |
| **Non-current** | **-** | **-** | **-** |
| | | | |
| At 30 June 2018 (restated)~ | 1,772 | - | 1,772 |
| Current (restated)~ | 1,772 | - | 1,772 |
| Non-current (restated)~ | - | - | - |
| | | | |
| At 31 December 2018 (restated)* | 760 | - | 760 |
| Current (restated)* | 760 | - | 760 |
| Non-current (restated)* | - | - | - |

* See Note 1.5 for further details
~ See Note 1.6 for further details

**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.

**Other (Dissenting shareholders)**
Certain Realm Energy International Corporation shareholders exercised rights of dissent under Canadian law not to accept the terms of acquisition in 2011. Under Canadian law, these dissenting shareholders are eligible to receive a cash payment equal to the fair value of their shareholding at acquisition. The provision at 31 December 2017 represented the Directors' estimate of the cash consideration to be paid to those shareholders taking account of the market price of the Realm shares at acquisition.

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

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

**17. 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 2018 | 2,847,406,025 | 1,265,259,397,525 | 177,475 |
| At 30 June 2018 | 2,847,406,025 | 1,265,259,397,525 | 177,475 |
| **At 30 June 2019** | **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 2018 and 31 December 2018 (restated)* | 500,256,857 | 1,265,259,397,525 | 178,219 | 504,196 |
| Issue of shares in lieu of salary (i) | 5,590,270 | - | 63 | 2,018 |
| Exercise of share options (ii) | 250,000 | - | 3 | 96 |
| Capital reorganisation | (50,475,000) | (1,265,259,397,525) | (145,447) | (459,720) |
| **At 30 June 2019** | **455,622,127** | **-** | **32,838** | **46,590** |
| | | | | |
| At 30 June 2018 (restated)~ | 500,256,857 | 1,265,259,397,525 | 178,219 | 504,196 |

* See Note 1.5 for further details
~ See Note 1.6 for further details

(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 and tender buyback**
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.

San Leon also announced that, pursuant to the exercise of options, an application was made for an additional 250,000 ordinary shares in the Company to be admitted to trading on AIM ("Admission"). Admission took place on 26 March 2019. Following the issue of the new Ordinary Shares, the Company had 506,097,127 ordinary shares in issue (at the time of the Circular there were 505,847,127 Ordinary Shares in issue). No ordinary shares are held in treasury.

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").

**Special reserve**
Pursuant to the capital reduction 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.

### 18. Deferred tax

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

| | **Unaudited 30/06/19** | Unaudited 30/06/18 (restated)* | Audited 31/12/18 (restated)* |
|---|---|---|---|
| | **US$'000** | US$'000 | US$'000 |
| Financial assets – IFRS 9 | **(10,337)** | - | (16,141) |
| Financial assets – other | **115** | (16,125) | 115 |
| Tax losses recognised | **2,988** | 7,013 | 3,622 |
| Total deferred tax liabilities | **(7,234)** | (9,112) | (12,404) |

### 19. Leases

A new accounting standard, IFRS 16 Leases, was adopted with effect from 1 January 2019. The standard requires leases which were previously treated as operating leases to be recognised as a lease liability with the associated asset capitalised and treated as a right of use asset. On 1 January 2019 US$3.05 million of leases were recognised as liabilities on adoption of the standard and US$3.05 million capitalised as right of use assets. In the first half of 2019 depreciation on the right of use assets was US$0.13 million and operating lease rentals decreased by US$0.17 million leading to an increase in operating profit of US$0.04 million. The interest charge on the associated leases was US$0.07 million and the aggregate impact of IFRS 16 on profit before tax was a decrease of US$0.03 million.

| **Right-of-use asset** | **At 30/06/19 US$'000** |
|---|---|
| At 1 January 2019 | **3,050** |
| Depreciation charge for the period | **(130)** |
| **Closing net carrying amount** | **2,920** |

| **Lease liability** | **At 30/06/19 US$'000** |
|---|---|
| At 1 January 2019 | **3,050** |
| Payments | **(170)** |
| Interest | **73** |
| **Closing net carrying amount** | **2,953** |
| *Split as follows:* | |
| Current liability | **204** |
| Non-current liability | **2,749** |
| **Closing net carrying amount** | **2,953** |

| **Reconciliation of IAS 17 operating lease commitments and IFRS 16 lease liability** | **At 30/06/19 US$'000** |
|---|---|
| Opening lease commitments at 31 December 2018 as disclosed in the Group's Annual Report * | **4,045** |
| Impact of discounting | **(957)** |
| Recognition exemption for short term and low value assets | **(38)** |
| **Lease liabilities recognised at 1 January 2019** | **3,050** |

* See Note 1.5 for further details

## 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 10). 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 seven years and six months and the option fee of US$381,000 is included in other receivables (Note 11) and is refundable when the Company either exercises or terminates the option. In 2018 Mr. Fanning was paid US$383,000 rent for the use of this property by the Company of which US$198,000 related to 2018, US$111,000 to the period 1 January 2019 to 30 June 2019 and US$74,000 to the period 1 July 2019 to 31 October 2019 and is included in other receivables (Note 11).

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.

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

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

**Greenbay Energy Resources Limited & Caledonian Properties Nigeria Limited**
San Leon Energy plc and Greenbay Energy Resources Limited ("Greenbay") have a common Director, Mutiu Sunmonu. San Leon has a consultancy agreement with Greenbay which was paid US$45,300 for amounts due for 2019 (31/12/18: US$93,000).

In June 2019, San Leon Energy plc entered 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 11). It is common practice to pay such sums up-front in Nigeria. The properties are being provided at a competitive rate and it is an arm's length transaction.

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

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

**Surplan Limited**
The Company and Surplan Limited had a common Director, Raymond King. The Company have a consultancy agreement with Surplan Limited which was paid US$12,000 in 2019 (31/12/18: US$404,000 in 2018 including a termination payment of US$220,000). Raymond King is the sole Director and shareholder of Surplan Limited.

**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 (31/12/18: US$28,000) and disclosed as a pension payment. Ewen Ainsworth is the sole Director and shareholder of Discovery Energy Limited.

**Brandon Hill Capital Limited**
Brandon Hill Capital Limited is a shareholder in the Company.

In 2017, the Company received a number of loans from Brandon Hill Capital Limited totalling US$1,401,000 inclusive of interest and foreign exchange movement. At 31 December 2017 the amount outstanding to Brandon Hill Capital Limited was US$213,000. This was repaid in January 2018.

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

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

**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.

**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 Oil and Gas Company Limited is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL. 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. As reported in the 31 December 2018 annual financial statements the economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18.

To date, San Leon has received aggregate payments under the Loan Notes totalling US$143.6 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$3.8 million at 30 June 2019.

To make payment of principal and interest due under the Loan Notes, MLPL is dependent on Eroton making dividend payments to Martwestern which in turn makes dividend payments to MLPL. MLPL will use the receipt of dividends to make Loan Notes payments to San Leon. There are various undertakings, guarantees and security in place with Eroton, Martwestern and Midwestern with regard to the Loan Notes, as more fully described below, in the event that MLPL is not in a position to pay the Loan Notes from dividends received.

**Notes to the Interim Consolidated Financial Statements (continued)**
*for the six months ended 30 June 2019*

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.

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 2020.

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 to enable it to make the repayments during 2018.

*2019*
During 2019 San Leon received total payments under the Loan Notes totalling US$37.8 million.

**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 30 June 2019 this position had not changed.

## 21. Subsequent events

### Horizon Petroleum Ltd.

In August 2019, sale and purchase agreements 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") completed with Horizon Petroleum Ltd. ('Horizon') (TSXV: HPL).

San Leon has received a 6% net profits interest on the Primary and Secondary Concessions. 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$764,118 (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.

### 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 annual financial statements.

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