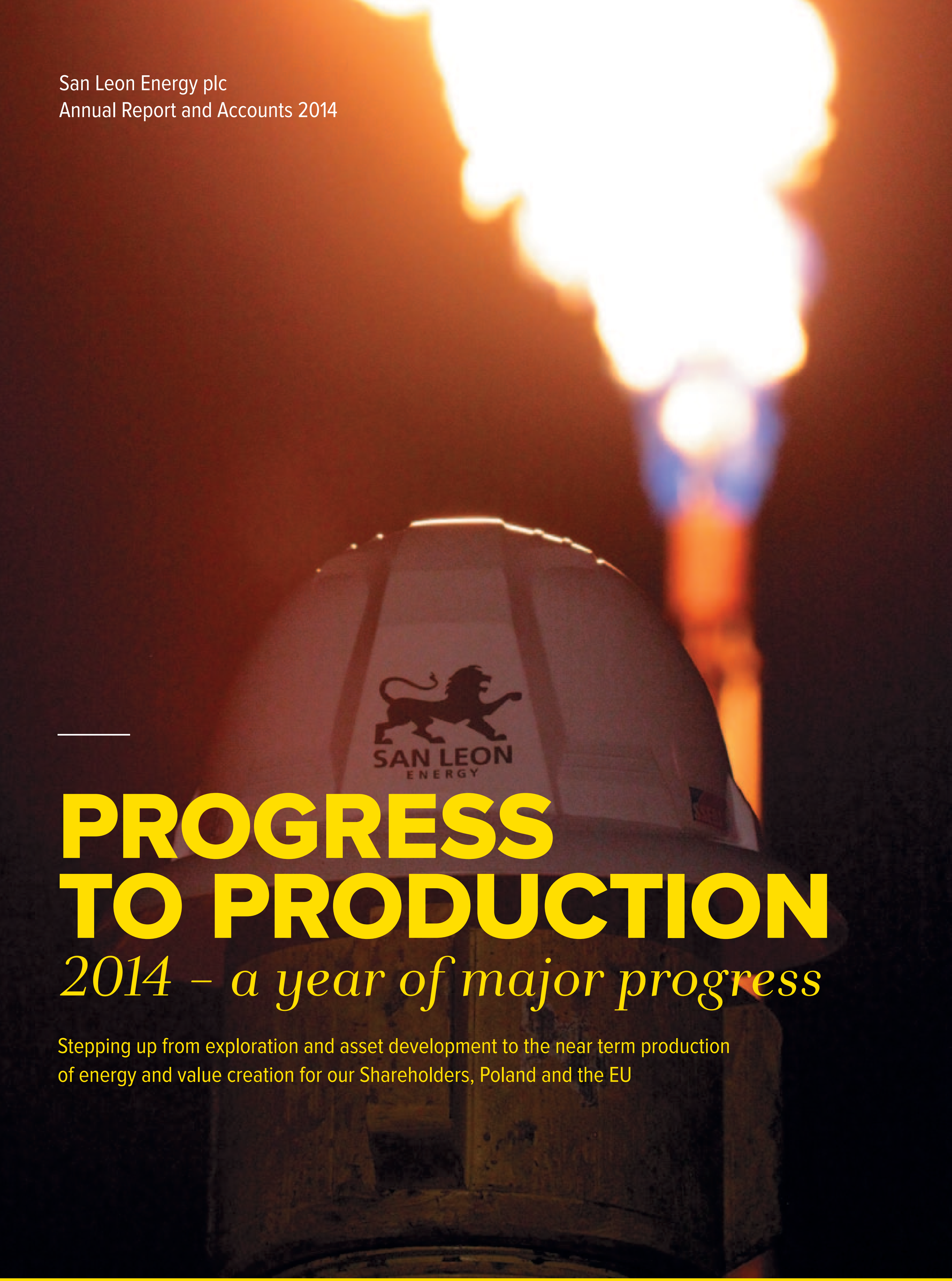
San Leon Energy plc
Annual Report and Accounts 2014



PROGRESS TO PRODUCTION

2014 – a year of major progress

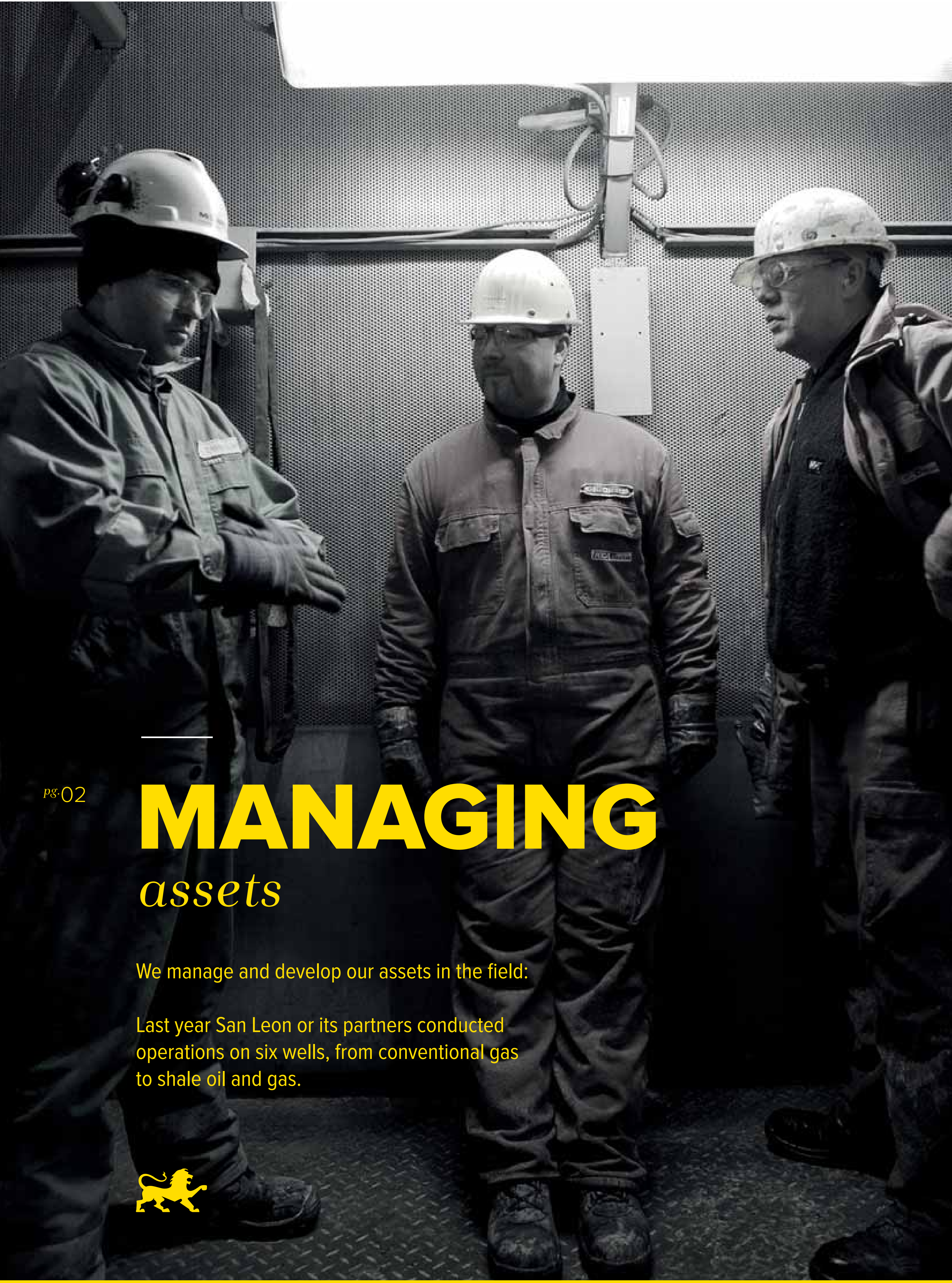
Stepping up from exploration and asset development to the near term production of energy and value creation for our Shareholders, Poland and the EU

PRODUCING
energy & Shareholder value

Our **Rawicz-12** natural gas well, in Southwestern Poland, is expected to be the largest gas development in Poland for 20 years.

This well is transformational for San Leon.


GM : 1600 KGS T: 1050 KGS
CAN LEON
OMAR
AND



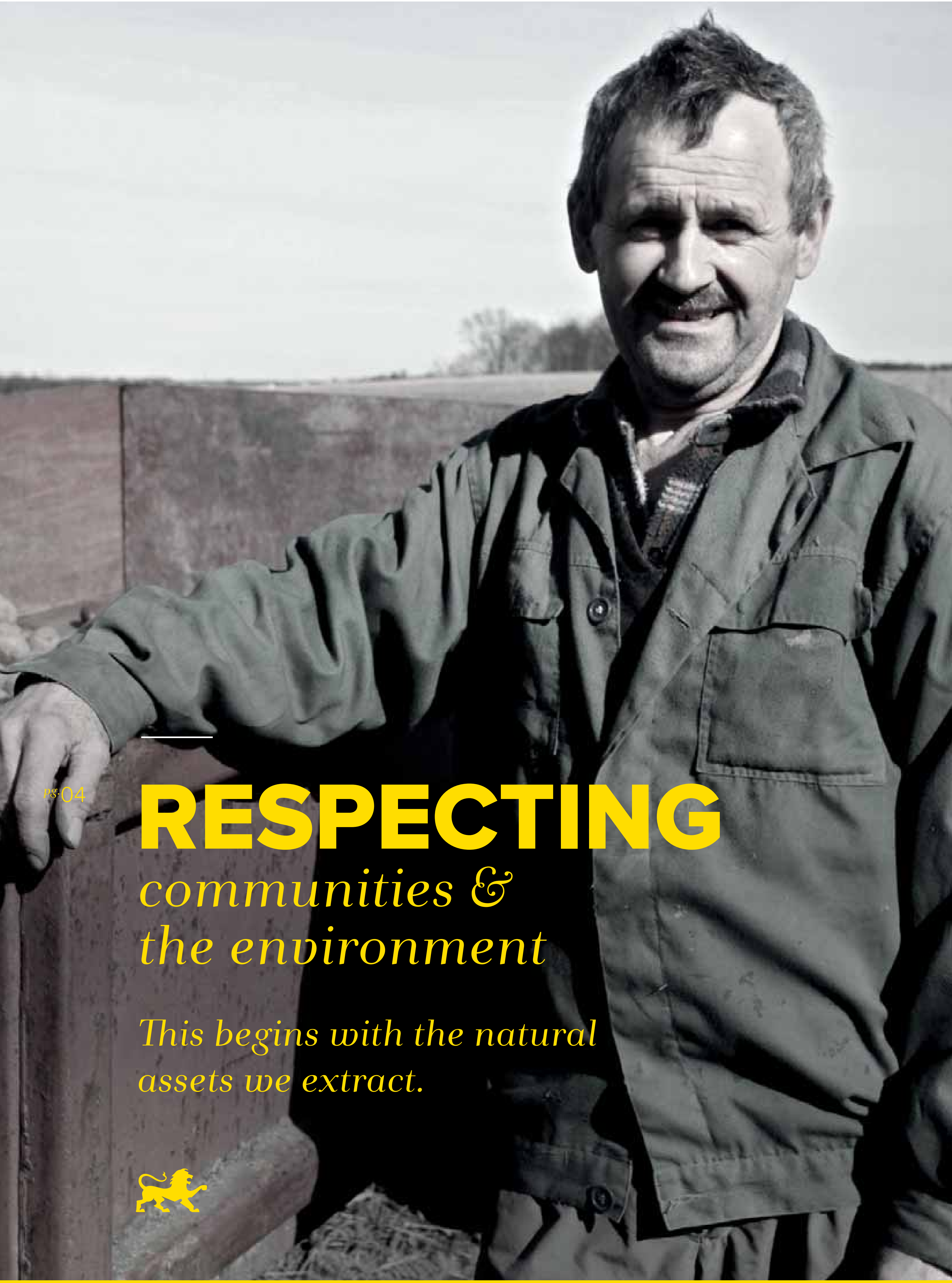
MANAGING
assets

We manage and develop our assets in the field:

Last year San Leon or its partners conducted operations on six wells, from conventional gas to shale oil and gas.

We manage and develop our assets technically and commercially:

Our Warsaw technical hub evaluates and enhances the value of our assets, while our London and Dublin teams provide corporate and business development support.



pg:04

RESPECTING
communities &
the environment

This begins with the natural assets we extract.

For us, the end does not justify the means:

All our operations, be it conventional oil and gas drilling, as in the **Rawicz** well, or shale gas fraccing, as in the **Lewino** well, respect their local environment and all bring value to the local communities where we operate.

pg.06

CREATING

value for our Shareholders and wealth for Poland and the EU

Rawicz-12 is a significant gas discovery in one of the highest-priced gas markets in Europe, and benefits from an existing gas infrastructure nearby. It is expected to be beneficial not only for our shareholders, but for Poland and the EU as a whole. This is a step towards energy independence for Poland as well as a strong, positive signal about the future of energy production and supply security in Europe.

PROGRESS TO PRODUCTION

San Leon Energy plc
Annual Report and Accounts 2014

Highlights

San Leon is a progressive oil and gas company. We develop conventional and unconventional assets in Europe and North Africa, from exploration to monetisation.

For San Leon, 2014 was a transformational year when we struck a deal to have wells drilled in our **Rawicz** field, which in 2015 is expected to be the largest gas development in Poland for 20 years.

The Company has weathered the storm of lower oil prices and the resulting impact on industry activity, and is emerging with a strategy for 2015 and beyond which is based upon establishing production and cashflow.

Strategic Report

We are committed to developing our asset base. In this section we set out our strategy, the progress we have made and our current operational focus.

Governance

We work to strict standards of governance and responsibility.

Financial Statements

Over €20 million invested on our exploration assets.

WHERE WE ARE, WHERE WE GO

2007

First licence
San Leon was established in its current form in 2007 when it secured an interest in the Zag and Tarfaya permits in Morocco

2008

Listed on London's Alternative Investment Market
Market capitalisation of £100 million.

2009

Gold Point Energy acquisition
The Company expanded its portfolio significantly with our first acquisition, which captured major, high-potential shale gas concessions in Poland's Baltic Basin.

2010

Island Oil & Gas acquisition
This acquisition added conventional offshore assets in the Celtic Sea as well as a number of exciting assets in the Atlantic Margin off the west coast of Ireland. In addition, San Leon increased its Moroccan onshore acreage in Zag and Tarfaya and gained interests in the Foum Draa and Sidi Moussa licences offshore Morocco. Furthermore, we added the highly prospective Durresi licence offshore Albania, to our asset portfolio.

Talisman Energy farm-in
San Leon signed a farm-in agreement with Talisman, whereby Talisman carried out the drilling of three wells in the Baltic Basin, Poland.

Placing of shares
Raised £60 million to fund the exploration programme.

2011

Realm Energy acquisition
This acquisition secured a further 464,000 acres in Poland's Baltic Basin. The transaction added 2 million pending acres in Spain and a pending application for 2.5 million acres in France.

Creation of NovaSeis
San Leon established its subsidiary NovaSeis, to acquire onshore seismic data.

2015 2020

In May 2015, San Leon announced a conditional Placing to raise £29 million gross. In conjunction with the Placing announcement, the Company set out its future strategy of securing cashflow from existing assets.

This strategy, designed to transform San Leon into a position of strong and sustained growth, is outlined on the following pages.

2012

Aurelian oil and gas acquisition
The acquisition of Aurelian was announced in November 2012 and completed in January 2013. With the integration of Aurelian's business and assets, San Leon effectively doubled the size of its operations.

2013

Getting closer to harvesting
From floating on AIM in 2008, San Leon's strong European shale position is complemented by a sizeable conventional and tight gas portfolio.

2014

Broad-based operational success.

Excellent operational results in both unconventional (**Lewino** shale gas, onshore Poland) and conventional (**Rawicz** gas field, onshore Poland, drilled in 2014 and tested in early 2015) demonstrate the Company's push towards development and cash flow,, as well as the portfolio approach to play types.

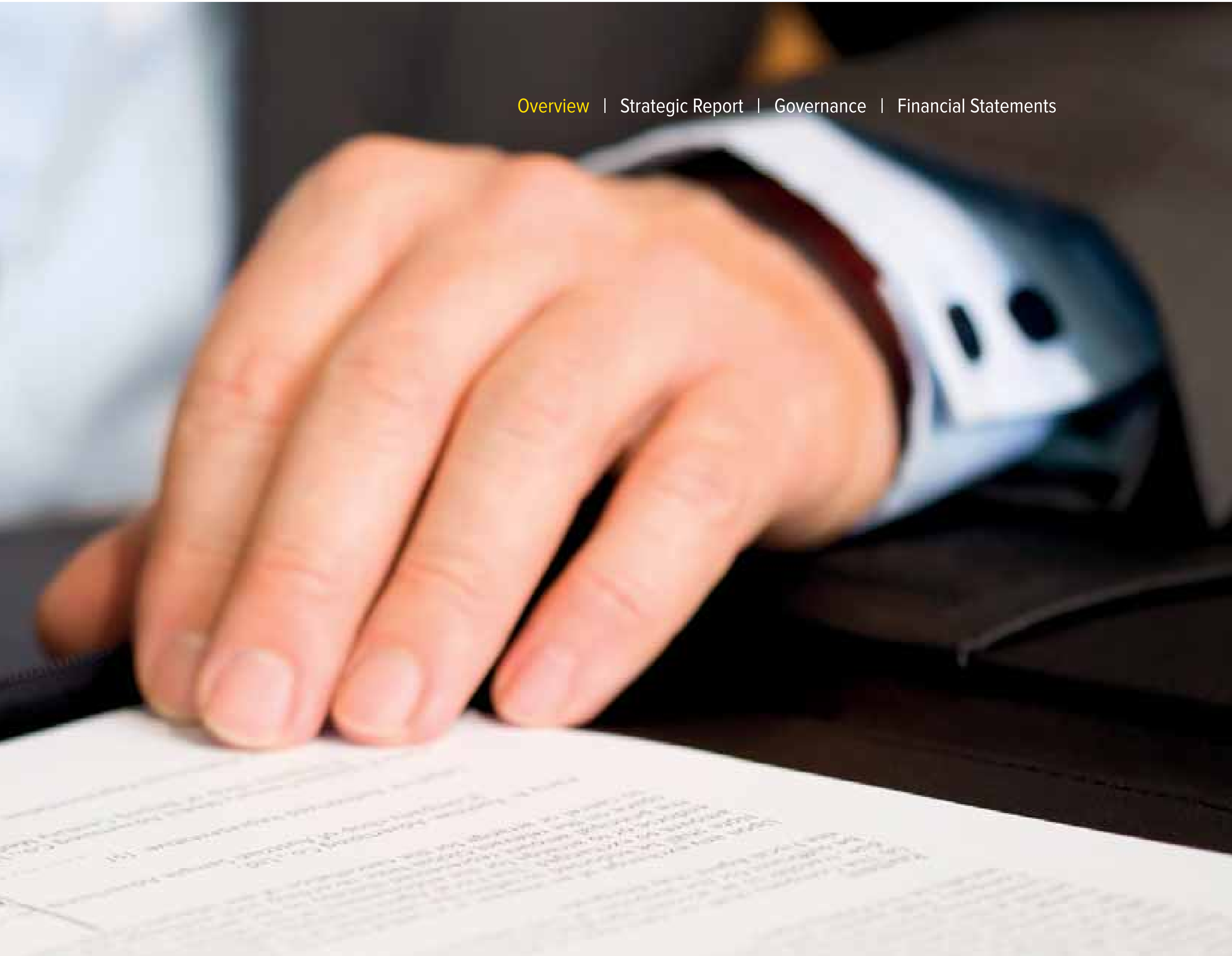
Major partnering deal with Palomar Natural Resources on the **Rawicz** and **Siekierki** fields.	**Onshore Morocco Timahdit** oil shale project moved a step closer to development with the successful small-scale trial of oil extraction using Enefit technology, and the signing of a Memorandum of Understanding with Chevron Lummus Global LLC for shale oil upgrading technology.	**Lewino-1G2** frac regarded as the most successful vertical shale well test in Europe so far. Horizontal multi-frac well now engineered and awaiting partnering, to try to prove commerciality of this huge resource.
€ 20m capital expenditure in 2014.	**Offshore Morocco Sidi Moussa SM-1** well drilled and tested, recovering high quality oil. While no sustained flow was possible, it provides invaluable information on next steps.	Two shallow wells were drilled in the **Karpaty** area, onshore Poland, targeting gas. Although gas was found, it was uncommercial in each case.

2015 + : Production and cashflow

PROGRESS

Before publication of this Annual Report, San Leon announced its intention to complete a major fundraising pursuant to a proposed conditional placing of New Ordinary Shares in the Company.

The Placing will put the Company in a position of strength with regard to existing and future operations and will fund growth. San Leon is intent on transforming its focus from exploration to appraisal, development and production, thus securing operational cash flow.



The main reasons for the Placing are to:

- enable San Leon to retain its **Barryroe** NPI rather than monetising it to fund operations
- provide any incidental capital, to develop the **Rawicz** and **Siekierki** fields
- enable commitment wells to be drilled onshore Morocco (on the **Tarfaya** licence) and in Albania (on the **Durresi** licence)
- allow the exploitation of other high value existing assets within the Company's portfolio
- enable acquisitions where they would enhance the new Company strategy at a time when a proven Operator with liquidity is in a strong buying position

OIL

GAS

TIGHT OIL & TIGHT GAS

SHALE GAS

OIL SHALE

LONG-TERM PROJECTS

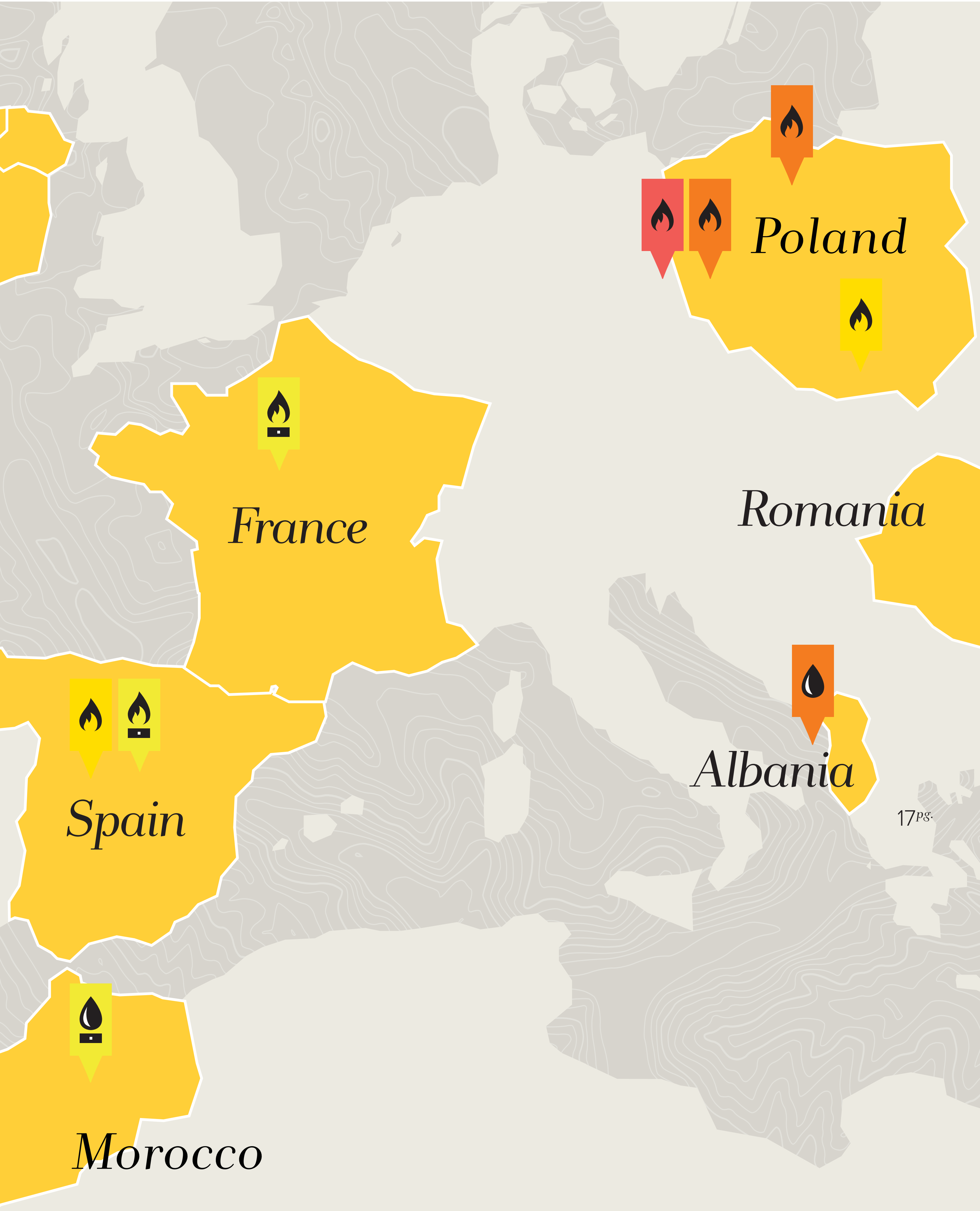
EXPLORATION ASSETS

APPRAISAL & READY TO DEVELOP

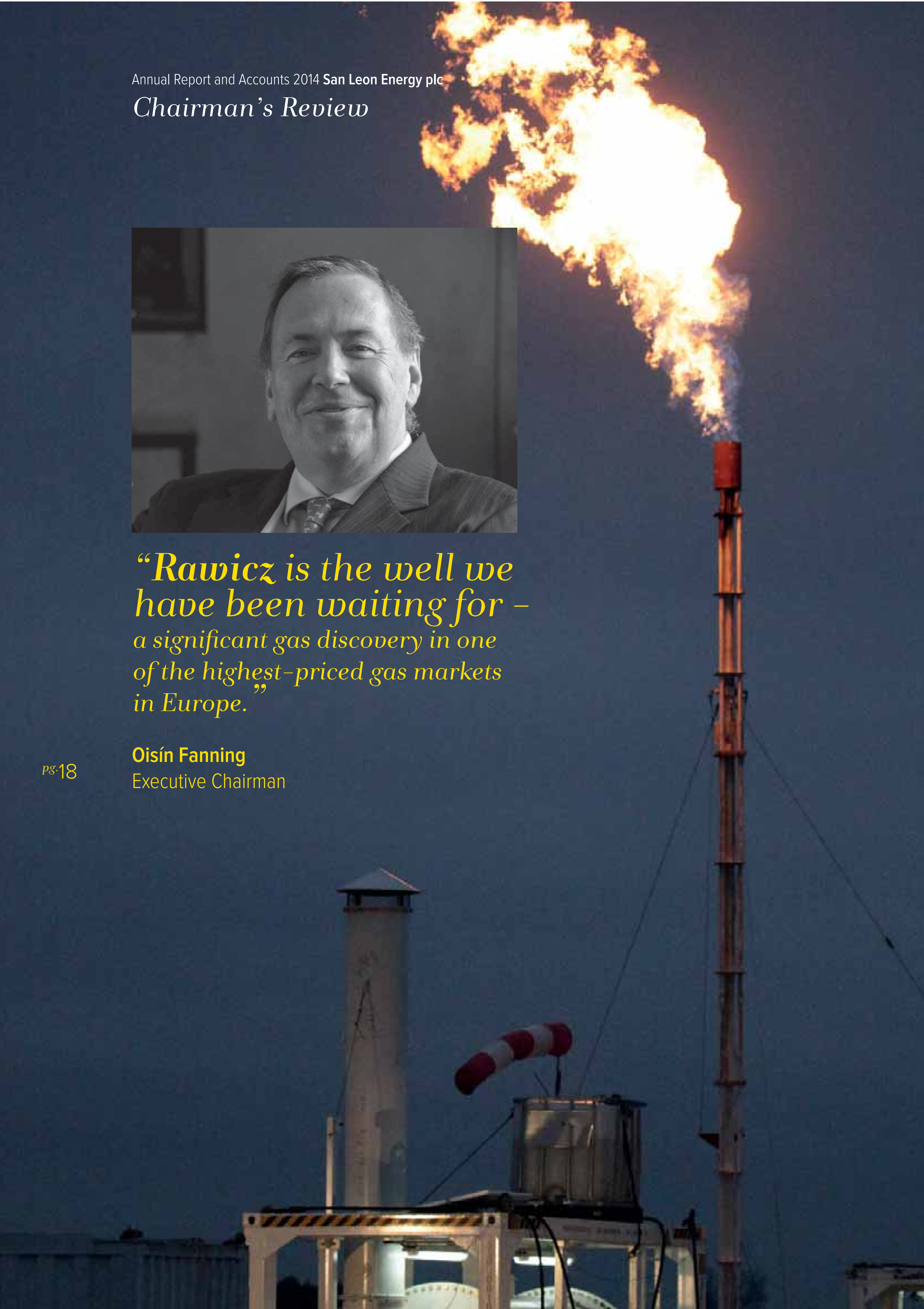
NEAR-TERM INCOME

Some of Our KEY ASSETS

From new frontiers to near-term production, from conventional to unconventional, onshore and offshore, our assets cover the whole value chain and share two characteristics: scale, and early-mover advantage.


Poland
Romania
France
Albania
Spain
Morocco

Chairman's Review



*"**Rawicz** is the well we have been waiting for –*

a significant gas discovery in one of the highest-priced gas markets in Europe."

Oisín Fanning
Executive Chairman

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2014 was a transformational year for San Leon Energy and for the whole energy industry, but for different reasons.

*For key energy players around the world, 2014 was the year when the price of oil fell significantly, putting enormous pressure on their financial performances and share prices, forcing some of them to cut costs and jobs. For San Leon, 2014 was the year when one of our assets, the Rawicz-12 well on the **Rawicz** gas field in South-western Poland, tested at a highly successful 4.5 million standard cubic feet per day.*

2014 saw San Leon move considerably closer to its production and cash flow goal, enhanced by the placing announced in June 2015. The partnership deal, struck in July 2014 with Palomar Natural Resources around its **Rawicz** and **Siekierki** fields, involves significant work programmes and an up-front payment to the Company of $20 million, positioning San Leon for near-term production.

Rawicz saw the first well drilled since the 1980s, and in early 2015, after the reporting period, we announced a highly successful well test which is expected to lead to **Rawicz** being the largest gas development in Poland for 20 years. This has now booked material reserves for San Leon.

Siekierki has an existing stock of three wells that tested at 3 mmscf/d each.

Poland

Besides **Rawicz** and **Siekierki**, the significant success of the **Lewino-1G2** well in the Gdansk W concession in Poland's Baltic Basin makes it the most successful single shale frac in a vertical well in Europe. During 2014 a horizontal multi-fracced well was fully designed and engineered and is now the subject of ongoing farm-out activity. Other Operators' work in this area adds further weight to there being a significant chance that the planned well could prove the commerciality of this enormous play potential.

Other well activity has been less successful. The Company carried out drilling in two wells in its three well shallow drilling programme in Poland. Unfortunately neither well flowed commercial hydrocarbons, and the results will be used to high-grade the portfolio. **Niwiska**, the third well in the programme, has been put on hold due to the low oil price.

Morocco

The **SM-1 well offshore Morocco**, operated by Genel Energy, recovered high quality oil during drilling and testing, but did not achieve sustained flow and was plugged and abandoned. San Leon was carried for part of the well cost, although the drilling problems encountered and the addition of well testing to the programme, required material funding by the Company. The Company expects follow-up well activity on the block.

Onshore, preparations were made to drill our first well in the **Tarfaya** licence, in the conventional Tertiary sandstone.

The 36 Km² (c7000 acres) **Timahdit** oil shale licence continues to show real promise. In August 2014, surface and core samples of oil shale were bench tested by Enefit in Germany to assess the ability of the Enefit process to generate shale oil. The results, announced in January 2015, prove the Enefit process (which is already used in Estonia) to be applicable to the Company's acreage, with attractive yields per tonne of rock, and will now be used to assess the efficiency of the Chevron Lummus upgrading technology on the shale oil.

Corporate

Significant efforts have been made to manage costs. The Company has exited Germany and Slovakia, and relinquished all or part of a number of Polish licences. The Warsaw office has been moved to new premises, roughly halving its rental overhead. During 2014 I agreed with the Board that I would take 80 per cent of my salary in Company shares from 1st January 2015. These shares will be issued in due course.

Once again the Company recorded no Lost Time Incidents (LTIs) for the year, reflecting the firm HSEQ commitment of all staff and contractors. It remains our top priority.

Outlook

Our Company is now poised to generate cash flow from 2016, starting with the **Rawicz** gas field, followed by **Siekierki**, and then joined in 2018 by the **Barryroe** oil field, offshore Ireland.

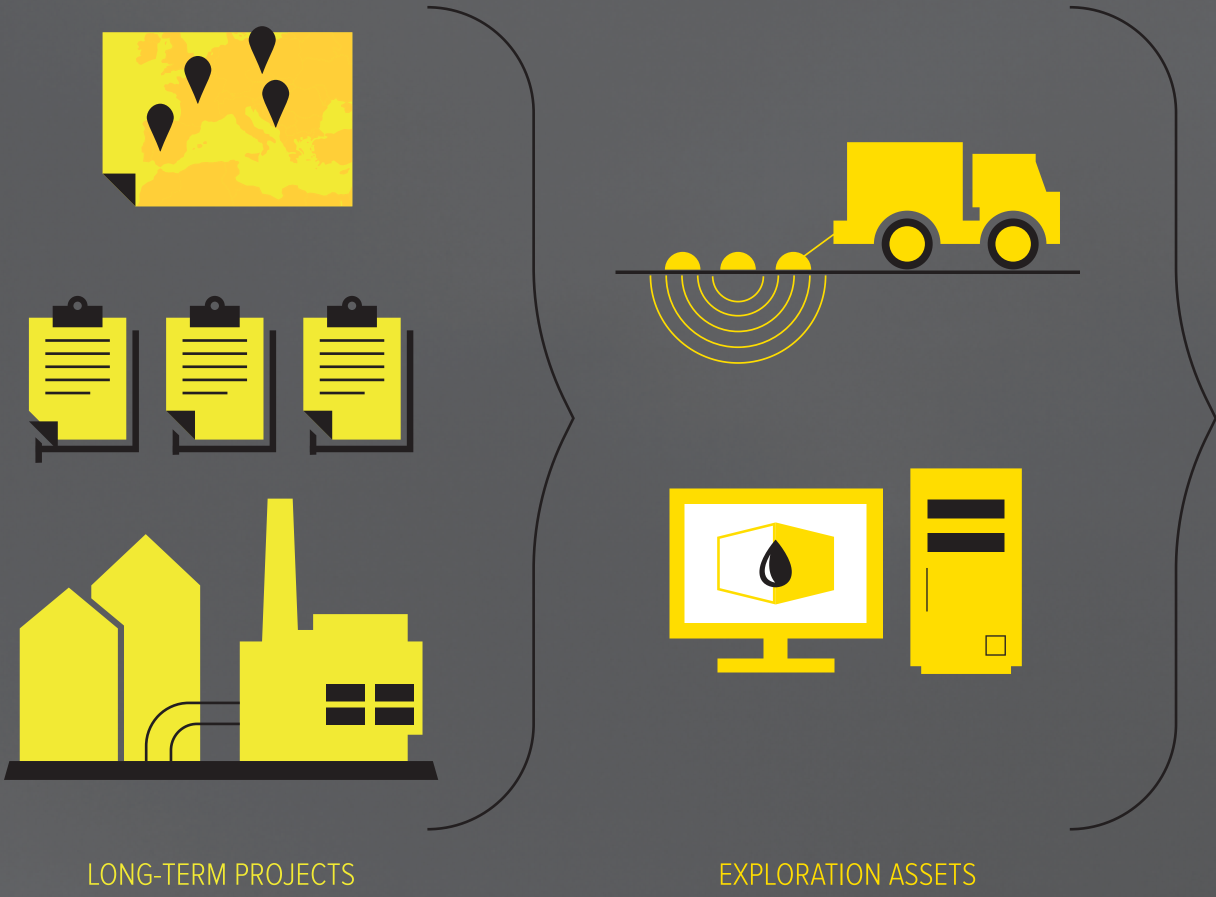
The proposed recent placing will enable the Company to retain and benefit from those assets, as well as to execute other exciting activities from the portfolio. Immediate priorities are drilling the **Tarfaya-1 gas well**, onshore Morocco, and a well in Albania using an onshore drilling location to target an offshore oil target.

While deal-making in the Exploration & Production sector has slowed with the depressed oil price, we continue to experience significant interest in many of our assets. In particular, the Baltic Basin shale and tight sandstone assets in Poland are ripe for further appraisal and are considered by San Leon to be on the cusp of proving commerciality. In addition, our Romanian assets combine a discovery with a variety of exploration targets that are ready to drill.

I believe San Leon now has the critical mass to capitalise on its cash flow and existing assets and to deliver the shareholder value that we have been working towards. The proposed increase in ToscaFund's stake in the Company to approximately 42% makes San Leon strong and resilient, and positions us as one of the few AIM production growth stories.

"2014 positions us on the cusp of production, with further exciting activity planned."

Joel Price
Chief Operating Officer



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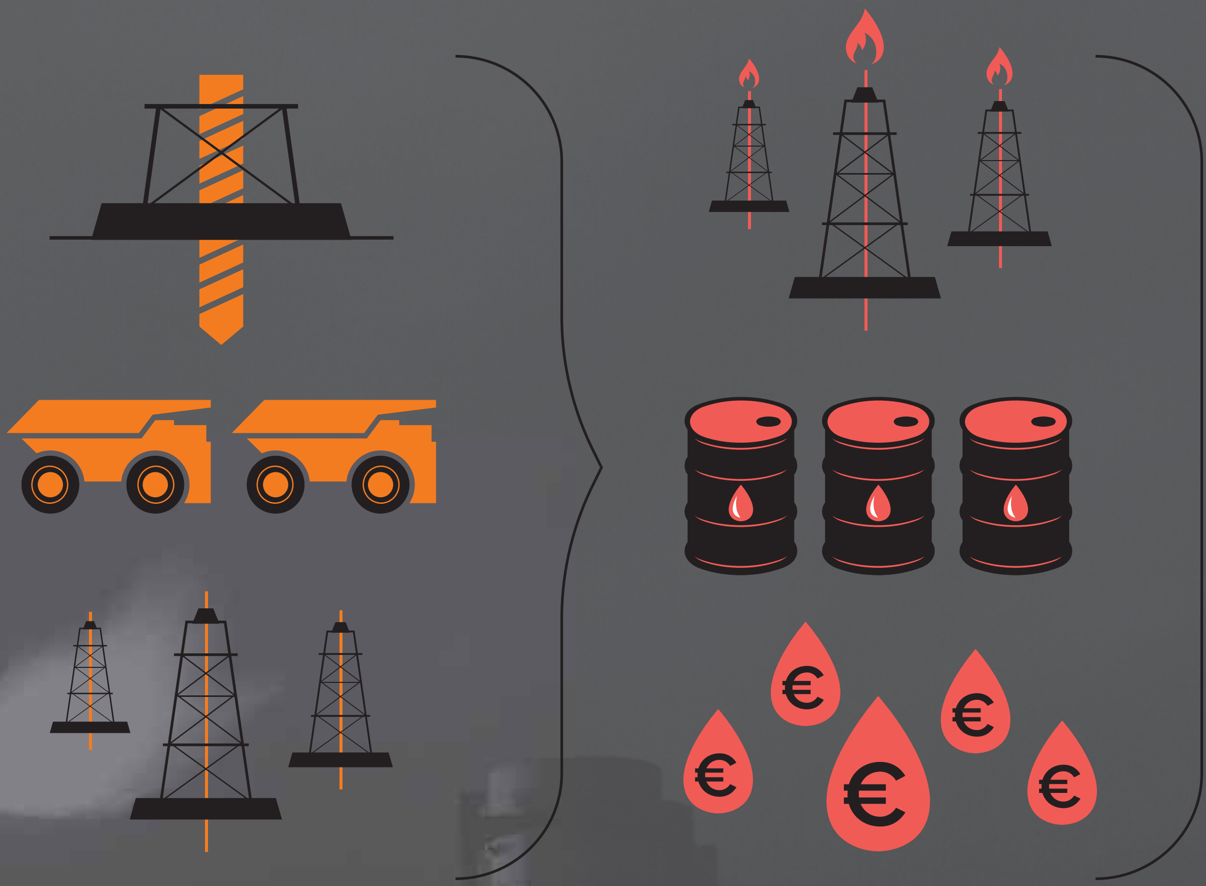
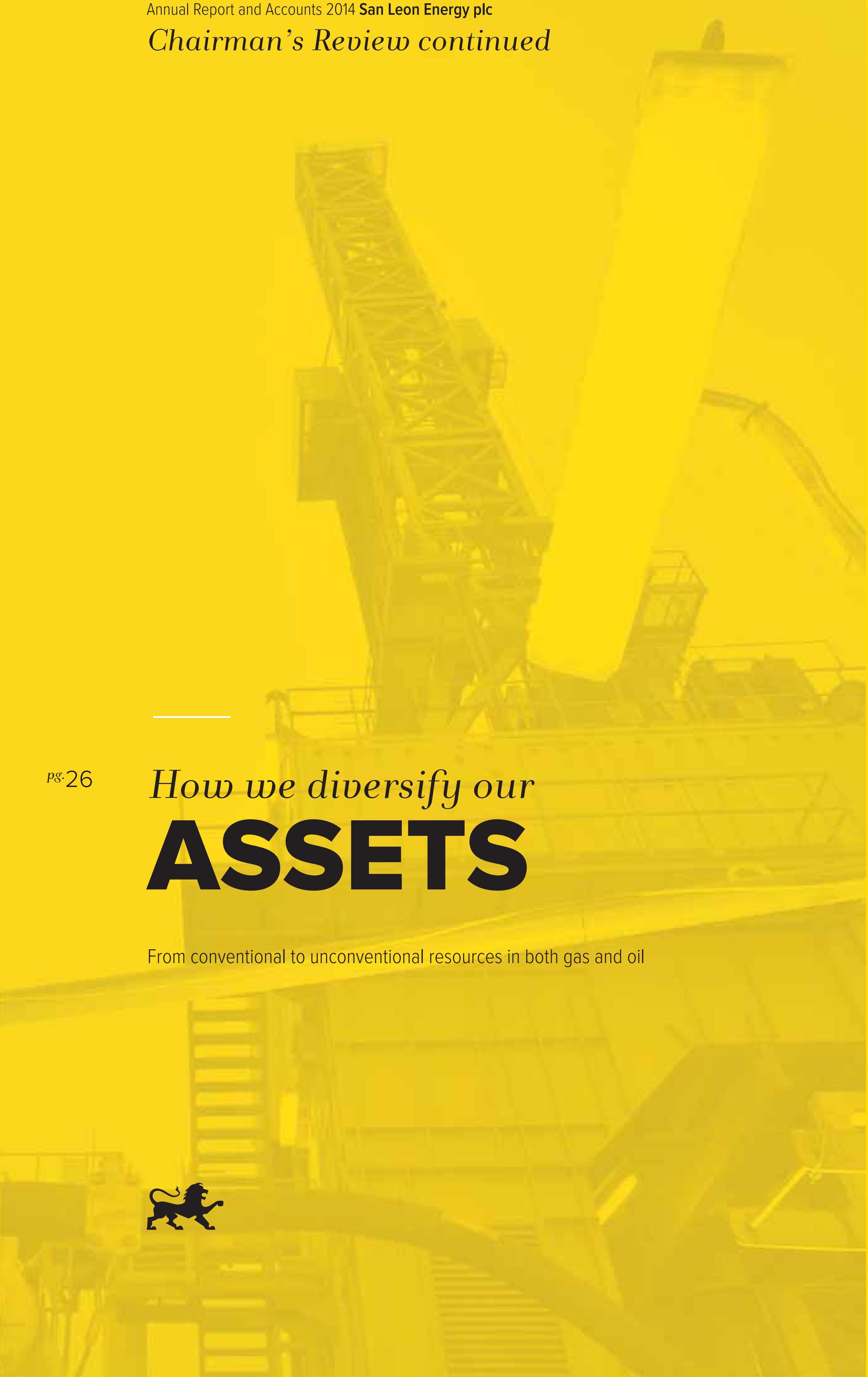
How we develop our
ASSETS

San Leon adds value to assets by acquiring, applying technical expertise to appraise, partnering as appropriate, and performing seismic and well work as an experienced and respected operator. Our relationships in these asset locations are a fundamental part of our ability to perform effectively, and are hard for anyone else to replicate. We take assets from exploration, through appraisal, to development (cash flow). This is supplemented by long-term projects such as our oil shale.



APPRAISAL & READY TO DEVELOP

NEAR-TERM INCOME



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How we diversify our

ASSETS

From conventional to unconventional resources in both gas and oil

OIL

Conventional oil has been the backbone of the E&P industry for a century, and it forms a component of our portfolio in every country in which we have assets.

GAS

Conventional gas typically requires no hydraulic fracturing to extract, and is targeted in many Polish assets – including the recent **Rawicz** discovery.

SHALE GAS

Shale gas has transformed the US economy and Poland is at the forefront of efforts to commercialise it in Europe (such as our Baltic Basin concessions). Developing this resource involves the use of hydraulic fracturing to release gas that is otherwise tightly held in shale rock.

TIGHT OIL & TIGHT GAS

Tight oil and tight gas also requires hydraulic fracturing, but in low-permeability sandstone rather than shale (such as gas in the **Siekierki** field, and oil in the Cambrian of the **Braniewo S** concession, both in Poland).

OIL SHALE

Oil shale is shale rock which is mined, crushed and processed to release oil contained within it. The resulting shale oil may be sold as a raw product, or upgraded to a higher-value synthetic crude.

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PROGRESS

We stand for it. We strive for it.

LONG-TERM PROJECTS

Morocco

Oil shale technology development

The 36 Km^2 **Timahdit** oil shale block onshore Morocco moved a step closer to development with the testing of the Enefit oil shale process on 10 tonnes of oil shale samples from the block, in what is effectively a small-scale version of the plant operational in Estonia. Positive results were obtained, showing that the shale is suitable for the Enefit process, has a high yield of shale oil, and can be run effectively at a relatively low temperature (thus reducing power requirements). A Memorandum of Understanding was signed in 2013 with Chevron Lummus Global LLC to cooperate in oil shale upgrading technology to produce high quality synthetic crude oil from the shale oil, and results from the Enefit trial are being provided to them.

An update to the existing pre-feasibility study for developing the asset is expected to be carried out by a major engineering company in due course.

France

Shale gas licences

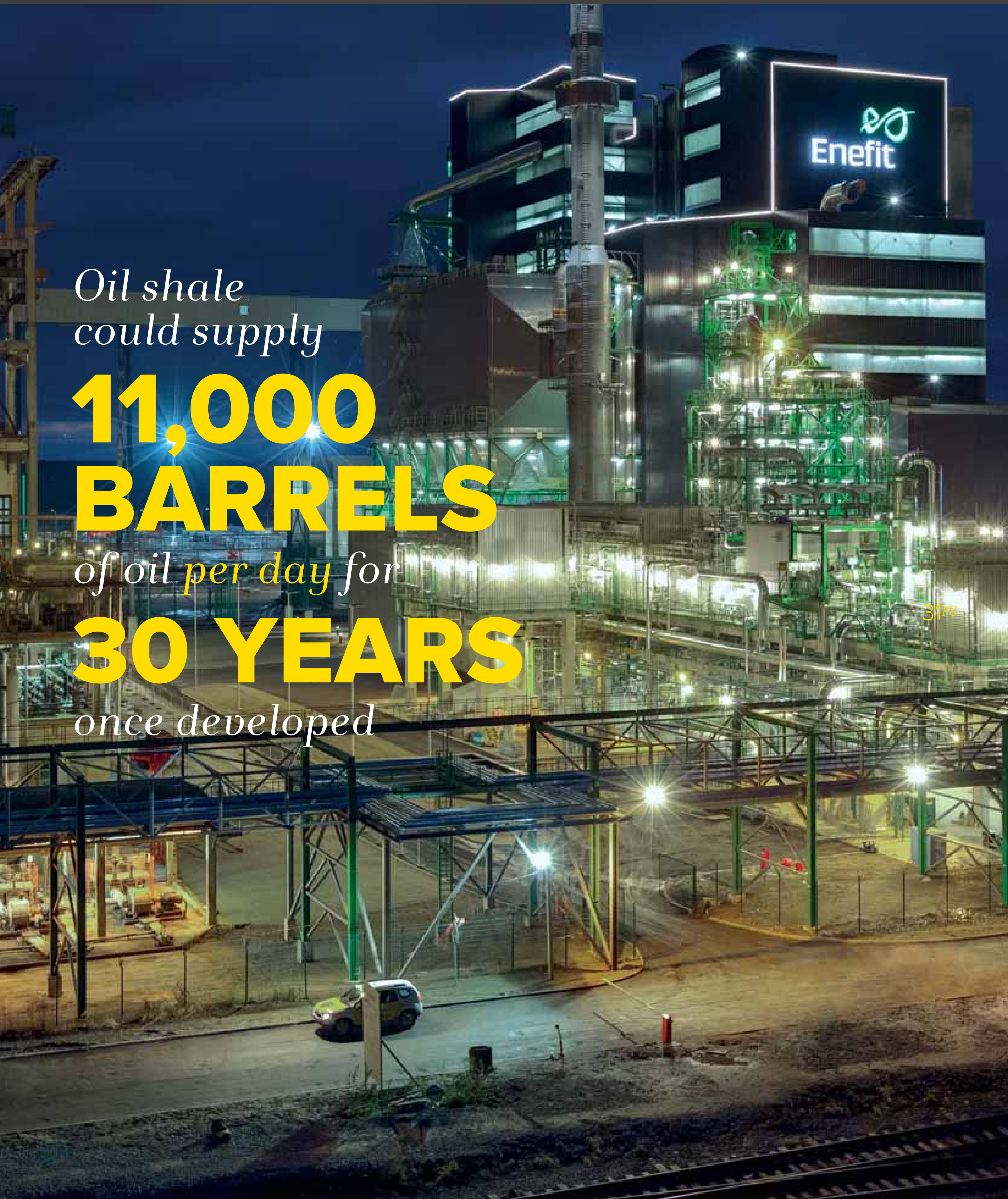
In France, San Leon continues to hold over 2.4 million acres (c9,000 Km^2) of licences under application. These are pending due to the current moratorium in France. In the event of France lifting the moratorium, San Leon would have first mover advantage. Our position is retained at a very low cost.

Spain

Shale gas

In Spain, we hold more than 1.5 million acres which contain significant gas potential. As with France, this position is held at a low cost to the Company.

> APPRAISAL & READY TO DEVELOP > NEAR-TERM INCOME



Oil shale could supply

11,000 BARRELS

of oil per day for

30 YEARS

once developed

EXPLORATION ASSETS

Albania
offshore

The Company's licence extension on its offshore Albania **Durresi** block continues to July 2015. Despite plenty of interest, securing a farm-in partner for a high cost offshore oil well has proved difficult in the oil price climate of the past nine months as some companies' budgets have become constrained. San Leon will instead now drill an exploration well targeting an offshore Burdigalian carbonate from an onshore location. This is a substantial prospect, with a best estimate of around 11 mmbbl oil and some associated gas, and from a wellsite location that is in close proximity to an oil refinery and gas infrastructure.

Spain
Conventional

San Leon holds over 1.5 million net acres (c6000 Km^2) in Spain, a country currently under-explored, with fewer than 500 exploration wells drilled.

Conventional potential exists here, in addition to the shale prospectivity already mentioned under the "Long-Term Projects" section.

Morocco

MOROCCO OFFSHORE (**Sidi Moussa, Foum Draa**)
The Genel-operated well on Sidi Moussa (San Leon net 10.0% interest) targeting the Noor oil prospect was drilled in the second half of 2014. High quality oil (26 API) was recovered during drilling and testing operations, but no sustainable hydrocarbon flow was possible. The extensive dataset gathered is being analysed to determine next steps on the licence. Cost exposure to San Leon was reduced by a significant carry.

The **Foum Draa** block, in which San Leon holds a 14.33% equity interest, continues to be evaluated by Operator, Cairn Energy, following the drilling of a well in late 2013.

MOROCCO ONSHORE (**Zag, Tarfaya**)
A commitment well targeting Tertiary channel sands will be drilled in 2015 in the onshore **Tarfaya** licence. This is updip of gas found in an old well, and within easy pipeline distance of a phosphate production plant for marketing gas. Several other channel sands would be follow-on prospects in the event of success, and deeper stacked horizons also exist.
The extensive **Zag** licence continues to be evaluated and may be the subject of further geophysical surveying in the medium term.

APPRAISAL & READY TO DEVELOP > NEAR-TERM INCOME

Poland

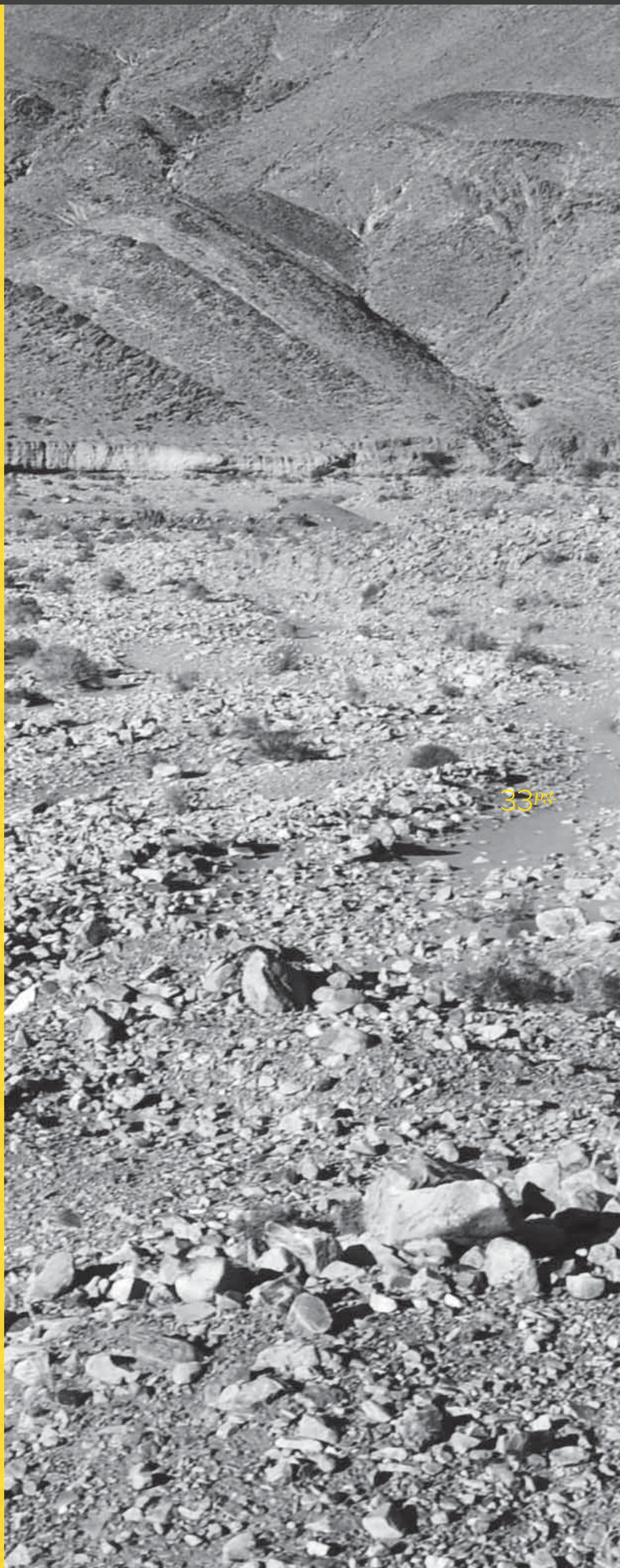
During the last year a three-well shallow drilling programme was planned in Poland, targeting gas in the Karpaty area (in conjunction with 40% partner PGNiG) and oil in the Permian Basin (as the final stage of a farm-in agreement with Celtique Energy).

The **Kęty** and **Gierałtowice** wells in the Karpaty area were both drilled and well tested, but in each case the gas rate tested was sub-commercial. The wells have been plugged and abandoned. Data acquired during the drilling will be used to re-evaluate the blocks and develop a forward plan.

The **Niwiska** well in the Permian Basin has been deferred while the oil price is low, as it could no longer be justified on a risk-reward basis.

Romania

In the Romanian Carpathians we have over 350,000 gross acres (c1400 Km^2). In addition to the **Voitinel** gas discovery well, the Company has several other shallow and deep targets in a region with existing gas production.



APPRAISAL AND READY TO DEVELOP

Poland

Baltic Basin

LEWINO-1G2 FRAC SUCCESS

In January 2014, we announced highly successful flow test results on our hydraulic fracture of the **Lewino-1G2** well in Gdansk W concession in the Baltic Basin, Poland. A horizontal multi-fracced well is planned and has been engineered. The Company is confident that this horizontal well, following the most successful single frac in a vertical well in Europe, has a good chance of proving the commerciality of this huge resource as the existing positive frac results are scaled up to the individual well configuration which would be used for a development. San Leon has 220,000 net acres in the Gdansk W concession alone, and around 1.2 million net acres across the Baltic Basin. We are currently looking for a partner to continue appraisal on this promising asset.

BRANIEWO S CONCESSION

Both shales (Silurian and Ordovician) and tight Cambrian sandstone are oil targets in this concession. Further well activity, such as a multi-fractured horizontal well in the tight sandstone, has been put on hold until the oil price improves the economics. Oil is already produced commercially from the sandstone in the region.

THE MOST SUCCESSFUL

single vertical hydraulic fracture in European shale gas

NEAR-TERM INCOME

Ireland

Net Profit Interest

San Leon's 4.5% Net Profit Interest (NPI) on the **Barryroe** oil field provides access to future revenue streams with no additional capital required. A number of approaches have been received to execute a transaction on the NPI and provide monetisation, but the Company believes maximum shareholder value will be realised by retaining it and its cash flows. Internal economic modelling, based upon the **Barryroe** 2013 CPR summary and reasonable pricing assumptions, indicates cash flow of more than $700 million net to San Leon through field life.

Poland

Mature assets in the Carboniferous and Permian Basin

In July 2014, Palomar Natural Resources farmed into our assets in Poland's Carboniferous and Permian Basins. The **Rawicz** and **Siekierki** fields were identified for early production and cash flow. Palomar paid a total of $20 million up-front for a 65% equity stake and will execute work programmes as Operator.

On **Rawicz**, Palomar agreed to drill and test two wells at no up-front cost to San Leon, with the Company only paying back its 35% share of drilling costs through production. The first of those wells, **Rawicz-12**, was drilled in late 2014 and tested in early 2015 after the end of the reporting period. It was a great success, with stable flow reaching 4.5 mmscf/d, and allowed a number of wells drilled on the structure in the 1970s to be re-evaluated. In May 2015 a Competent Persons Report (CPR) was completed for Palomar by Ryder Scott Company, yielding just over 50 Bcf of Probable reserves for the full field. When an offtake agreement is signed, Palomar and San Leon expect some reserves to be moved to Proved. Production is targeted for Q1 2016.

On **Siekierki**, Palomar has undertaken to carry San Leon for the workover of three existing wells, with the aim of tying in gas production to the nearby distribution network.

APPRAISAL & READY TO DEVELOP > NEAR-TERM INCOME

50 BCF

will be the largest gas development in Poland for

20 YEARS

37 pg.

Board of Directors

	Oisín Fanning Executive Chairman	**Paul Sullivan** Managing Director	**Dr Jeremy Boak** Non-Executive Director
Background and experience	Oisín has almost 30 years' experience in structured finance, stockbroking and corporate finance, with 12 years specialising in the oil and gas industry. Formerly CEO of Astley & Pearce Ltd., MMI Stockbrokers, and Smart Telecom Plc, Oisín was closely involved with the restructuring of Dana Petroleum Plc in the early 1990s. He was also a major supporter of Tullow Oil Plc in its early growth phase.	Paul Sullivan gained substantial banking experience over 30 years, before joining San Leon as Commercial Director. He became Managing Director in 2010. Previously, Paul gained extensive Corporate Treasury and Operations experience through senior appointments with leading financial institutions. These included Nordbanken NY, Standard Chartered Bank, Dublin and BNP Paribas in Dublin.	Director of the Centre for Shale Technology and Research (COSTAR) at the Colorado School of Mines, Jeremy chairs the leading international symposium on shale development and the Oil Shale Committee of the Energy Minerals Division (EMD) of the American Association of Petroleum Geologists (AAPG). He was formerly Project Manager at Los Alamos National Laboratory, Branch Chief at the US Department of Energy and exploration and development geologist for ARCO Oil & Gas Company.
Key strengths	Oisín is both visionary and deeply practical in pursuing business goals on behalf of stakeholders. He recognises the importance of finding and developing talented people to achieve a clear set of objectives.	Paul is well qualified to acquire and integrate San Leon's corporate acquisitions, acquire licences and exploit the potential of both conventional and shale assets.	Jeremy is a proven and acknowledged expert in shale exploration and development. Affiliated with AAPG, EMD, and the Geological Society of America, Jeremy is extensively published and has a Ph.D. and a B.A. in Geology from Harvard University, as well as an M.S. in Geology from the University of Washington.
Commentary	"San Leon is at a fascinating stage in its development. We've created a significant portfolio of assets across the region and now our talented team is working hard on realising that potential."	"The four acquisitions we have completed and the licences we have been awarded give us a unique opportunity. We're now focused on organic growth and generating significant revenue from our asset portfolio."	"San Leon is Europe's leading shale gas company by acreage. My experience in shale in the United States can now be brought to bear on this significant portfolio."
Committee memberships	Member of Nominations Committee.	Member of Nominations Committee.	Member of Remuneration, Audit and Risk and Safety Committees.

Daniel Martin
Non-Executive Director

Daniel is a London-based commercial lawyer and graduate of Cambridge University, the University of South Carolina, and the American University Law School in Washington, DC.

He has extensive legal and corporate finance experience – this includes having acted as a legal advisor to Nissan, Chrysler and Texaco. Daniel is a co-founder and Director of Green Corporate Finance and is also a member of South Carolina Bar.

Daniel has considerable skills and expertise in both commercial law and corporate finance.

"I see my role as bringing my legal and financial skills to the Board of this exciting company, giving it the advice needed to enable it to continue to grow and develop."

Member of Remuneration, Audit and Risk and Safety Committees.

Piotr Rozwadowski
Non Executive Director

Piotr is President of the Board and Managing Director of Belos-PLP SA, a leading Polish producer of components for overhead power lines and a subsidiary of NASDAQ-listed Preformed Line Products Company. Piotr is also former Vice Minister of State for the Treasury of Poland where he was responsible for the energy and telecoms sectors.

He has also worked as a consultant for AT Kearney and Roland Berger Strategy Consultants and was previously on the board of Aurelian Oil & Gas plc, recently acquired by San Leon Energy. Piotr graduated with an MSc in Electrical Engineering from the Silesian University of Technology in Poland and also holds an MBA from the University of Central Lancashire.

Piotr has over 25 years' experience working in the energy sector in Poland and has held senior positions with a number of companies in the Polish electrical and power sectors.

"San Leon Energy has built a diverse portfolio and become a key player in the industry. It is an honour for me to join the team and I welcome the responsibility to help the company develop in Poland and across Europe."

Member of Risk and Safety Committees.

Ray King
Company Secretary

Ray is a qualified Chartered Secretary, Banker, Compliance Officer and has considerable experience in IT and Finance.

As a Chartered Secretary with 40 years' experience, much of it with a large City bank, he has acted as Company Secretary and in various senior Executive and Non-Executive Director roles for companies which have been brought to the AIM, Nasdaq and Plus.

Ray is a highly experienced and seasoned Company Secretary with considerable experience of listed entities. He is a Fellow of the Institute of Chartered Secretaries and Administrators, the Chartered Institute of Bankers and the Institute of Financial Accountants. He is also qualified as a Chartered Information Technology Professional and has achieved the Certificate of Regulated Insurance.

"My objective is to ensure that San Leon is fully compliant in all aspects of its decision-making and operations."

Member of Risk and Safety and Nominations Committees.

Directors' Report
for the year ended 31 December 2014

The Directors present their Annual Report together with the audited financial statements of San Leon Energy Plc ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2014.

Principal activity and future developments
The principal activity of the company is the exploration and production of oil and gas.

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

Results and dividends
The Group loss for the year after providing for depreciation and taxation amounted to €38,264,356 (2013: loss of €17,051,578). Net assets of the Group at 31 December 2014 amounted to €250,788,145 (2013: €284,446,686). No dividends are proposed by the Directors.

Principal risks and uncertainties
The Group's principal areas of oil and gas exploration activity are in Poland, Morocco, Albania, Romania and Spain. The Group has a management structure and system of internal controls in place designed to identify, evaluate, manage and mitigate business risk. Details of the principal financial risks are set out in note 33. Other risks and uncertainties are considered to be the following:

Exploration risk
Exploration and development activities may be delayed or adversely affected by factors outside the Group's control, in particular, climatic conditions, performance of joint venture partners or suppliers, availability of drilling and other equipment, delays or failures in installing and commissioning plant and equipment, unknown geological conditions, remoteness of location, actions of host governments or other regulatory authorities (relating to, inter alia, the grant, maintenance or renewal of any required authorisations, environmental regulations or changes in law).

Commodity price risk
The demand for, and price of oil and gas is dependent on global and local supply and demand, actions of governments or cartels and general global economic and political developments.

Political risk
As a consequence of activities in different parts of the world, the Group may be subject to political, economic and other uncertainties, including but not limited to terrorism, war or unrest, changes in national laws and energy policies and exposure to different legal systems.

Environmental risk
Environmental and safety legislation may change in a manner that may require stricter or additional standards than those now in effect, which could result in heightened responsibilities for the Group and potentially increased operating costs.

Financial risk management
The Group's multinational operations expose it to different financial risks that include foreign exchange risk, credit risk, liquidity risk, interest rate risk, and equity price risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the performance of the Group and it is the Group's policy to manage these risks in a non-speculative manner.

Currency risk
Although the reporting currency is Euro, significant transactions denominated in other currencies are entered into by the Group including exploration expenditure, other costs and equity funding, thus creating currency exposures for the Group.

Going concern risk
As set out in Note 1 to the financial statements, there are a number of assumptions underlying the Group's cash flow projections.

Share price
The share price movement in the year ranged from a low of Stg£0.0090 to a high of Stg£0.0475. The share price at 31 December 2014 was Stg£0.0118.

Directors
The Directors of San Leon Energy Plc, all of whom served for the full year are as follows:

Oisín Fanning, Executive Chairman
Paul Sullivan, Managing Director
Raymond King, Non-Executive Director and Company Secretary
Jeremy Boak, Non-Executive Director
Daniel Martin, Non-Executive Director
Piotr Rozwadowski, Non-Executive Director

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

Directors and their interests
The Directors and Secretary who held office at 31 December 2014 had no interests other than those shown below in the Ordinary Shares of the Company. All interests are beneficially held by the directors.

	Ordinary Shares		
Director	25/06/15	31/12/14	01/01/14
Oisín Fanning	81,892,632	81,892,632	81,892,632
Paul Sullivan	60,840,000	60,840,000	60,840,000
Raymond King	–	–	–
Jeremy Boak	–	–	–
Daniel Martin	1,134,549	1,134,549	1,134,549
Piotr Rozwadowski	–	–	–

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

Director	Options at 01/01/14	Granted in year	Exercised in year	Cancelled in year	Options at 31/12/14	Exercise price	Expiry date
Oisín Fanning	2,500,000	–	–	–	2,500,000	£0.11	04/02/16
	3,000,000	–	–	–	3,000,000	£0.11	14/11/18
	5,000,000^	–	–	–	5,000,000	£0.35	25/07/17
	3,500,000^	–	–	–	3,500,000	£0.35	13/02/18
	250,000	–	–	–	250,000	£0.25	29/12/17
	5,500,000*	–	–	–	5,500,000	€0.05	14/11/18
	3,500,000	–	–	–	3,500,000	£0.13	20/03/19
	5,500,000*	–	–	–	5,500,000	€0.05	06/07/19
Paul Sullivan	2,000,000	–	–	–	2,000,000	£0.11	04/02/16
	5,000,000^	–	–	–	5,000,000	£0.35	25/07/17
	250,000	–	–	–	250,000	£0.25	29/12/17
	2,500,000^	–	–	–	2,500,000	£0.35	13/02/18
	250,000	–	–	–	250,000	£0.11	14/11/18
	2,750,000	–	–	–	2,750,000	£0.11	14/11/18
	4,000,000*	–	–	–	4,000,000	€0.05	14/11/18
	3,000,000	–	–	–	3,000,000	£0.13	20/03/19
	4,000,000*	–	–	–	4,000,000	€0.05	06/07/19
Raymond King	1,000,000	–	–	–	1,000,000	€0.05	22/09/15
	1,000,000	–	–	–	1,000,000	£0.11	04/02/16
	250,000	–	–	–	250,000	£0.25	29/12/17
	250,000	–	–	–	250,000	£0.11	14/11/18
	1,500,000	–	–	–	1,500,000	£0.13	20/03/19
Jeremy Boak	–	–	–	–	–	–	–
Daniel Martin	–	–	–	–	–	–	–
Piotr Rozwadowski	–	–	–	–	–	–	–

^ The 10,000,000 (2013: 10,000,000) options granted at £0.35 in 2010 and the 6,000,000 (2013: 6,000,000) options granted at £0.35 in 2011 are only exercisable on fulfilment of a market condition requiring the Company's share price to exceed £1.00 and £1.20 respectively for a period of thirty days.
* Options vest subject to achievement of a production target of over 501 barrels of oil equivalent per day within the life of the option.

All other options vest immediately on grant.

Transactions involving Directors
Contracts and arrangements of significance during the year in which Directors of the Company were interested are disclosed in Note 32 to the financial statements.

Significant shareholders
The Company has been informed that, in addition to the interests of the Directors above, at 31 December 2014 and at 25 June 2015, the following shareholders own 3% or more of the issued share capital of the Company:

	Percentage of issued share capital	
	25/06/15	31/12/14
Toscafund Asset Management LLP	**22.03%**	22.03%
Quantum Partners LP	**8.52%**	8.52%
The Capital Group Companies Inc	**6.12%**	6.12%
Kulczyk Investments S.A.	**3.49%**	3.49%

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

Group undertakings
Details of the Company's subsidiaries are set out in Note 16 to the financial statements.

Political donations
There were no political donations during the current or prior year.

Going concern
The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review, are confident that the Company and the Group will have adequate financial resources to continue in operational existence for the foreseeable future which covers a period of at least twelve months from the date of approval of these financial statements.

Further details on the assumptions in the cash flow projections are provided in Note 1 to the financial statements.

The Directors have discussed the assumptions and basis of preparation of the projections and, having considered the financial resources available, believe that it is appropriate to prepare the financial statements on a going concern basis.

Corporate Governance
The Directors are committed to maintaining high standards of corporate governance consistent with the size, nature and stage of development of the Company. The Board is accountable to Shareholders for good corporate governance and has adopted the following procedures in this regard.

The Board
At the date this Annual Report is published, the Board comprises two executive directors and four non-executive directors.

In order to ensure that the Directors can properly carry out their roles, the members of the Board are provided with comprehensive information and financial details prior to all Board meetings. The Board meets at least six times a year to discuss and decide the Company's business and strategic decisions. In addition, there is a high degree of contact between Board meetings to ensure all Directors are aware of the Company's business. If necessary, the non-executive Directors may take independent advice at the expense of the Company.

Remuneration Committee
The Remuneration Committee is composed of Daniel Martin and Jeremy Boak with Daniel Martin appointed as chairman. The Remuneration Committee monitors the performance of each of the Company's executive Directors and senior executives to ensure they are rewarded fairly for their contribution. The recommendations of the Remuneration Committee are presented to a meeting of the full Board. The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board as a whole.

Audit Committee
The Audit Committee consists of Daniel Martin and Jeremy Boak with Daniel Martin appointed as chairman. The duties of the Committee include the review of the accounting principles, policies and practices adopted in preparing the financial statements, external compliance matters, internal control principles and the review of the Group's financial results. It also considers how to maintain an appropriate relationship with the Company's auditors. The Committee approves fees in respect of non-audit services provided by external auditors in order to safeguard the external auditor's independence and objectivity. The Audit Committee meets the external auditors and meets internally at least twice per year. It also meets on an ad hoc basis as required.

Nomination Committee
The Nomination Committee consists of Oisín Fanning, Paul Sullivan and Raymond King with Oisín Fanning appointed as chairman. The nominations committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required. It is responsible for locating appropriate senior candidates and conducting initial interviews and submitting recommendations on any appointment to the Board.

Risk and Safety Committee
The Risk and Safety Committee consists of Daniel Martin, Jeremy Boak, Piotr Rozwadowski and Raymond King with Raymond King appointed as chairman. The committee is responsible for evaluating risks in Group operations including property, personnel and environmental risks and ensuring that appropriate procedures are in place for mitigating risk and ensuring that adequate insurance cover is in place for identifiable risks.

Advisory Committee
The Advisory Committee consists of independent industry experts Nick Butler (Chairman) and Gerard Medaisko. The Advisory Committee provides senior guidance, invaluable strategic and industry insight, as well as their expertise and advice as the Company looks to continue to develop its portfolio of assets. A key role of the Advisory Committee is to work alongside the management team and evaluate new opportunities that the Company is investigating.

Communications
The Company maintains regular contact with shareholders through publications such as the annual and interim reports, operational updates, Regulatory News Service "RNS" and the Company's website, www.sanleonenergy.com. The Directors are responsive to shareholder telephone and email enquiries throughout the year. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views.

Internal control
The Board acknowledges its overall responsibility for ensuring that the Company has a system of internal control in place that is appropriate. However, shareholders should be mindful that any system can only provide reasonable, not absolute assurance against material misstatement or loss and is designed to manage but not to eliminate the risk of failure to achieve business objectives. The key procedures are:
- preparation of annual budgets for all licence areas for approval by the board;
- ongoing review of expenditure and cash flows versus approved budget;
- establishment of appropriate cash flow management and treasury policies for the management of liquidity, currency and credit risk on financial assets and liabilities;
- regular management meetings to review operating and financial activities; and
- recruitment of appropriately qualified and experienced staff to key financial and management positions.

The Company has adopted a model code for Directors' share dealings which is appropriate for an AIM listed company. The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Company's applicable employees.

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

In determining remuneration levels, the Remuneration Committee takes into consideration the practices of other companies of similar scope and size. A key philosophy is that staff should be properly rewarded and motivated to perform in the best interests of the Shareholders.

Director emoluments and pension contributions, excluding share based payments, during the year ended 31 December 2014 were as follows:

	Salary & emoluments €	Pension €	Fees €	**2014 Total €**	2013 Total €
Oisín Fanning	1,415,261	–	50,000	**1,465,261**	1,138,092
Paul Sullivan	531,675	96,000	50,000	**677,675**	618,975
John Buggenhagen*	–	–	–	**–**	345,695
Raymond King	–	–	30,000	**30,000**	240,347
Jeremy Boak	–	–	36,328	**36,328**	37,744
Daniel Martin	–	–	30,000	**30,000**	159,607
Con Casey +	–	–	–	**–**	25,000
Piotr Rozwadowski ~	–	–	35,000	**35,000**	15,256
	1,946,936	96,000	231,328	**2,274,264**	2,580,716

* Resigned 20 May 2013.
\+ Resigned 22 July 2013.
~ From 22 July 2013.

The Group have a legal services agreement and a consultancy agreement with entities connected with Daniel Martin and Raymond King. See Note 32 for further details.

In accordance with IFRS 2, Share based payments, an additional cost of €533,283 (2013: €1,618,239) has been recognised in respect of share options granted to Directors. See Note 28 for further details of share options.

Books and accounting records

The Directors are responsible for ensuring adequate accounting records, as outlined in Section 231 of the Companies Act 2014, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements. The books and accounting records are maintained at 3300 Lake Drive, Citywest Business Campus, Dublin 24.

Events since the year end

Details of significant events since the year end are included in Note 34.

Auditor

The Auditor, KPMG, Chartered Accountants have indicated their willingness to continue in office in accordance with the provisions of Section 383(2) of the Companies Act, 2014.

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable Irish law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law and in accordance with AIM Rules, the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- Comply with EU IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements based on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2014.

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

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Independent Auditors' Report to the Members of San Leon Energy plc

We have audited the Group and Company financial statements ("financial statements") of San Leon Energy plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

Opinions and conclusions arising from our audit

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2014;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company statement of financial position has been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company statement of financial position have been properly prepared in accordance with the requirements of the Companies Act 2014.

Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records. In our opinion the information given in the Directors' Report is consistent with the financial statements.

We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cliona Mullen
for and on behalf of

KPMG

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

29 June 2015

Consolidated Income Statement
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Continuing operations			
Revenue	2	**2,942**	3,013
Cost of sales		**(543)**	(453)
Gross profit		**2,399**	2,560
Other income	3	**–**	4,229,277
Loss on disposal of subsidiaries	4	**(6,429,007)**	–
Administrative expenses		**(16,877,640)**	(10,899,228)
Impairment of exploration and evaluation assets	11	**(9,149,836)**	(7,036,679)
Impairment of equity accounted investments	12	**(3,345,664)**	–
Loss from operating activities		**(35,799,748)**	(13,704,070)
Finance expense	6	**(1,796,659)**	(1,587,240)
Finance income	7	**231,352**	1,751,393
Share of loss of equity-accounted investments	12	**(54,002)**	(141,745)
Loss before income tax		**(37,419,057)**	(13,681,662)
Income tax expense	9	**(875,557)**	(19,778)
Loss from continuing operations		**(38,294,614)**	(13,701,440)
Discontinued operations			
Profit / (loss) from discontinued operations (net of income tax)	4	**30,258**	(3,350,138)
Loss for the year attributable to equity holders of the Group		**(38,264,356)**	(17,051,578)
Loss per share (cent) - continuing operations			
Basic loss per share	10	**(1.52) cent**	(0.70) cent
Diluted loss per share	10	**(1.52) cent**	(0.70) cent
Earnings / (loss) per share (cent) – discontinued operations			
Basic earnings / (loss) per share	10	**0.01 cent**	(0.17) cent
Diluted earnings / (loss) per share	10	**0.01 cent**	(0.17) cent
Loss per share (cent) – total			
Basic loss per share	10	**(1.51) cent**	(0.87) cent
Diluted loss per share	10	**(1.51) cent**	(0.87) cent

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Consolidated Statement of Other Comprehensive Income
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Loss for the year		**(38,264,356)**	(17,051,578)
Items that may be reclassified subsequently to the income statement			
Foreign currency translation differences – foreign operations	15	**817,175**	(5,282,870)
Fair value movements in available-for-sale financial assets	17	**5,102,461**	(2,658,522)
Deferred tax on fair value movements in available-for-sale financial assets	31	**(2,084,197)**	–
Total comprehensive loss for the year		**(34,428,917)**	(24,992,970)

The accompanying notes on pages 58 – 100 form an integral part of these financial

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital reserve €	Share premium reserve €	Currency translation in Group €	Share based payment reserve €
2013				
Balance at 1 January 2013	61,471,639	131,511,450	3,894,117	7,974,447
Total comprehensive income for year				
Loss for the year	–	–	–	–
Other comprehensive income				
Foreign currency translation differences – foreign operations	–	–	(5,282,870)	–
Fair value movements in available-for-sale financial assets	–	–	–	–
Total comprehensive income for year	–	–	(5,282,870)	–
Transactions with owners recognised directly in equity				
Contributions by and distributions to owners				
Issue of shares related to business combinations (Note 29)	32,126,484	29,002,133	–	–
Issue of shares for cash	32,631,579	3,138,175	–	–
Share based payment (note 28)	–	–	–	3,821,953
Effect of share warrants forfeit	–	–	–	(29,948)
Effect of share options forfeit	–	–	–	(1,552,955)
Shares issued to Realm Shareholders on conversion of exchangeable shares	331,245	580,954	–	–
Total transactions with owners	65,089,308	32,721,262	–	2,239,050
Balance at 31 December 2013	**126,560,947**	**164,232,712**	**(1,388,753)**	**10,213,497**
2014				
Balance at 1 January 2014	126,560,947	164,232,712	(1,388,753)	10,213,497
Total comprehensive income for year				
Loss for the year	–	–	–	–
Other comprehensive income				
Foreign currency translation differences – foreign operations	–	–	817,175	–
Fair value movements in available-for-sale financial assets	–	–	–	–
Deferred tax on fair value movements in available-for-sale financial assets	–	–	–	–
Total comprehensive income for year	–	–	817,175	–
Transactions with owners recognised directly in equity				
Contributions by and distributions to owners				
Cost of issue of shares for cash in 2013 (note 26)	–	(473,715)	–	–
Share based payment (note 28)	–	–	–	1,211,407
Effect of share options exercised	26,825	5,859	–	–
Shares issued to Realm Shareholders on conversion of exchangeable shares	190,861	334,742	–	–
Total transactions with owners	217,686	(133,114)	–	1,211,407
Balance at 31 December 2014	**126,778,633**	**164,099,598**	**(571,578)**	**11,424,904**

The accompanying notes on pages 58 – 100 form an integral part of these financial statements.

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Fair value reserve €	Retained earnings €	Attributable to equity holders €	Non-controlling interest €	Total €
(436,721)	4,295,235	208,710,167	1,440,050	210,150,217
–	(17,051,578)	(17,051,578)	–	(17,051,578)
–	–	(5,282,870)	–	(5,282,870)
(2,658,522)	–	(2,658,522)	–	(2,658,522)
(2,658,522)	(17,051,578)	(24,992,970)	–	(24,992,970)
–	–	61,128,617	–	61,128,617
–	–	35,769,754	–	35,769,754
–	–	3,821,953	–	3,821,953
–	29,948	–	–	–
–	122,070	(1,430,885)	–	(1,430,885)
–	–	912,199	(912,199)	–
–	152,018	100,201,638	(912,199)	99,289,439
(3,095,243)	**(12,604,325)**	**283,918,835**	**527,851**	**284,446,686**
(3,095,243)	(12,604,325)	283,918,835	527,851	284,446,686
–	(38,264,356)	(38,264,356)	–	(38,264,356)
–	–	817,175	–	817,175
5,102,461	–	5,102,461	–	5,102,461
(2,084,197)	–	(2,084,197)	–	(2,084,197)
3,018,264	(38,264,356)	(34,428,917)	–	(34,428,917)
–	–	(473,715)	–	(473,715)
–	–	1,211,407	–	1,211,407
–	–	32,684	–	32,684
–	–	525,603	(525,603)	–
–	–	1,295,979	(525,603)	770,376
(76,979)	**(50,868,681)**	**250,785,897**	**2,248**	**250,788,145**

Company Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital €	Share premium €	Shares to be issued €	Share based payment reserve €
2013				
Balance at 1 January 2013	61,471,639	131,511,450	1,440,050	7,974,447
Total comprehensive income				
Loss for the year	–	–	–	–
Fair value movement in available-for-sale financial asset	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Transactions with owners recognised directly in equity				
Contributions by and distributions to owners				
Cost of issue of shares related to business combinations (note 29)	32,126,484	29,002,133	–	–
Issue of shares for cash	32,631,579	3,138,175	–	–
Share based payment (note 28)	–	–	–	3,821,953
Effect of share warrants forfeit	–	–	–	(29,948)
Effect of share options forfeit	–	–	–	(1,552,955)
Shares issued to Realm Shareholders on conversion of exchangeable shares	331,245	580,954	(912,199)	–
Total transactions with owners	65,089,308	32,721,262	(912,199)	2,239,050
Balance at 31 December 2013	**126,560,947**	**164,232,712**	**527,851**	**10,213,497**
2014				
Balance at 1 January 2014	126,560,947	164,232,712	527,851	10,213,497
Total comprehensive income				
Loss for the year	–	–	–	–
Fair value movements in available-for-sale financial assets	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Transactions with owners recognised directly in equity				
Contributions by and distributions to owners				
Cost of issue of shares for cash in 2013 (note 26)	–	(473,715)	–	–
Share based payment (note 28)	–	–	–	1,211,407
Effect of share options exercised	26,825	5,859	–	–
Shares issued to Realm Shareholders on conversion of exchangeable shares	190,861	334,742	(525,603)	–
Total transactions with owners	217,686	(133,114)	(525,603)	1,211,407
Balance at 31 December 2014	**126,778,633**	**164,099,598**	**2,248**	**11,424,904**

The accompanying notes on pages 58 – 100 form an integral part of these financial statements.

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Fair value reserve €	Retained earnings €	Total equity €
–	(21,903,869)	180,493,717
–	(7,899,786)	(7,899,786)
(980,581)	–	(980,581)
(980,581)	(7,899,786)	(8,880,367)
–	–	61,128,617
–	–	35,769,754
–	–	3,821,953
–	29,948	–
–	122,070	(1,430,885)
–	–	–
–	152,018	99,289,439
(980,581)	**(29,651,637)**	**270,902,789**
(980,581)	(29,651,637)	270,902,789
–	(42,397,063)	(42,397,063)
62,725	–	62,725
62,725	(42,397,063)	(42,334,338)
–	–	(473,715)
–	–	1,211,407
–	–	32,684
–	–	–
–	–	770,376
(917,856)	**(72,048,700)**	**229,338,827**

Consolidated Statement of Financial position
as at 31 December 2014

Assets	Notes	2014 €	2013 €
Non-current assets			
Intangible assets	11	**163,375,424**	186,052,006
Equity accounted investments	12	**44,483,000**	23,728,594
Property, plant and equipment	13	**10,831,903**	10,514,451
Other non-current assets	14	**833,045**	3,407,821
Financial assets	17	**42,534,544**	37,432,083
Other financial assets	17	**5,360,034**	–
		267,417,950	261,134,955
Current assets			
Inventory	18	**320,043**	229,978
Trade and other receivables	19	**10,344,339**	13,216,437
Other financial assets	20	**1,335,361**	6,274,202
Cash and cash equivalents	21	**1,808,715**	11,420,968
Assets classified as held for sale	4	**–**	15,705,353
		13,808,458	46,846,938
Total assets		**281,226,408**	307,981,893
Equity and liabilities			
Equity			
Called up share capital	26	**126,778,633**	126,560,947
Share premium account	26	**164,099,598**	164,232,712
Share based payments reserve	27 / 28	**11,424,904**	10,213,497
Currency translation reserve	27	**(571,578)**	(1,388,753)
Fair value reserve		**(76,979)**	(3,095,243)
Retained earnings		**(50,868,681)**	(12,604,325)
Attributable to equity holders of the Group		**250,785,897**	283,918,835
Non-controlling interest	27	**2,248**	527,851
Total equity		**250,788,145**	284,446,686
Non-current liabilities			
Derivative	23	**4,017**	208,434
Deferred tax liabilities	31	**12,198,995**	9,329,447
		12,203,012	9,537,881
Current liabilities			
Trade and other payables	22	**10,963,732**	6,228,211
Loans and borrowings	24	**5,814,022**	–
Provisions	25	**1,457,497**	1,397,094
Liabilities classified as held for sale	4	**–**	6,372,021
		18,235,251	13,997,326
Total liabilities		**30,438,263**	23,535,207
Total equity and liabilities		**281,226,408**	307,981,893

The accompanying notes on pages 58 – 100 form an integral part of these financial statements.

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Company Statement of Financial Position
as at 31 December 2014

Assets	Notes	2014 €	2013 €
Non-current assets			
Property, plant and equipment	13	**8,630,346**	6,924,528
Financial assets - investment in subsidiaries	16	**146,385,815**	184,807,997
Financial assets – other	17	**5,771,526**	348,767
		160,787,687	192,081,292
Current assets			
Trade and other receivables	19	**106,702,613**	96,048,604
Other financial assets	20	**182,243**	4,751,470
Cash and cash equivalents	21	**1,439,122**	7,789,260
		108,323,978	108,589,334
Total assets		**269,111,665**	300,670,626
Equity and liabilities			
Equity			
Called up share capital	26	**126,778,633**	126,560,947
Share premium account	26	**164,099,598**	164,232,712
Shares to be issued	27	**2,248**	527,850
Share based payments reserve	27 / 28	**11,424,904**	10,213,497
Fair value reserve		**(917,856)**	(980,581)
Retained earnings		**(72,048,700)**	(29,651,636)
Attributable to equity shareholders		**229,338,827**	270,902,789
Non-current liabilities			
Derivative	23	**4,017**	208,434
Current liabilities			
Trade and other payables	22	**33,954,799**	29,559,403
Loans and borrowings	24	**5,814,022**	–
Total liabilities		**39,772,838**	29,767,837
Total equity and liabilities		**269,111,665**	300,670,626

The accompanying notes on pages 58 – 100 form an integral part of these financial statements.

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Consolidated Statement of Cash Flows
for the year ended 31st December 2014

	Notes	2014 €	2013 €
Cash flows from operating activities			
Loss before tax – continuing operations		**(37,419,057)**	(13,681,662)
Profit / (Loss) before tax – discontinued operations		**30,258**	(3,350,138)
Adjustments for:			
Depletion and depreciation		**101,570**	118,006
Finance expense	6	**1,796,659**	1,587,240
Finance income	7	**(231,352)**	(1,751,393)
Share based payments charge		**249,064**	639,954
Foreign exchange		**(1,739,289)**	(1,172,367)
Gain on Talisman acquisition	3	**–**	(4,229,277)
Impairment of exploration and evaluation assets – continuing operations	11	**9,149,836**	7,036,679
Impairment of equity accounted assets – continuing operations	12	**3,345,664**	–
Impairment of exploration and evaluation assets – discontinued operations	4	**–**	3,579,880
Decrease / (increase) in other non-current assets	14	**457,051**	(1,116,161)
Loss on disposal of subsidiaries		**6,429,007**	–
(Increase) / decrease in inventory		**(90,065)**	360,233
Decrease / (increase) in trade and other receivables		**2,398,785**	(2,746,657)
Increase / (decrease) in trade and other payables		**5,483,083**	(2,766,513)
Other non-current assets		**2,117,728**	–
Share of loss of equity-accounted investments	12	**54,002**	141,745
Tax paid		**(21,031)**	(31,122)
Net cash (used) in operating activities		**(7,888,087)**	(17,381,553)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		**(19,909,050)**	(31,250,052)
Joint venture partner share of exploration costs		**363,293**	4,045,909
Purchase of property, plant and equipment		**(1,701,433)**	(1,854,578)
Interest received		**3,515**	36,699
Decrease/(Increase) in restricted cash	21	**325,354**	(5,517,332)
Advances to equity accounted investments	12	**(1,054,618)**	(1,631,488)
Proceeds of farm-out arrangement		**14,806,537**	–
Proceeds of offshore Morocco farmout		**–**	1,210,217
Net cash (disposed)/acquired with subsidiary		**–**	31,897,712
Cash acquired with asset acquisition		**–**	3,949,107
Payment to acquire financial assets	17	**–**	(1,329,349)
Net cash outflow from investing activities		**(7,166,402)**	(443,155)
Cash flows from financing activities			
Proceeds of issue of share capital, net of costs		**–**	35,769,754
Cost of issue of shares in 2013		**(473,715)**	–
Proceeds from drawdown of other loans		**8,415,037**	2,612,315
Repayment of other loans		**(3,070,671)**	(9,258,223)
Movement in director loan		**2,201,471**	(859,373)
Interest and arrangement fees paid		**(1,641,403)**	(881,298)
Net cash inflow from financing activities		**5,430,719**	27,383,175
Net (decrease) / increase in cash and cash equivalents		**(9,623,770)**	9,558,467
Effect of foreign exchange fluctuation on cash and cash equivalents		**11,517**	37,702
Cash and cash equivalents at start of year	21	**11,420,968**	1,824,799
Cash and cash equivalents at end of year	21	**(1,808,715)**	11,420,968

The accompanying notes on pages 58 – 100 form an integral part of these financial statements.

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

Company Statement of Cash Flows
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Cash flows from operating activities			
Loss before tax		**(42,387,142)**	(7,890,942)
Adjustments for:			
Depletion and depreciation		**101,361**	81,738
Finance income		**(710,311)**	(2,433,666)
Finance expense		**155,267**	1,601,293
Share based payments charge		**199,725**	527,323
Impairment of investment in subsidiaries		**30,982,642**	–
Foreign exchange		**90,332**	(210,362)
(Increase) in trade and other receivables		**(2,368,405)**	(2,587,669)
Increase in trade and other payables		**4,280,718**	855,674
Tax paid		**(195)**	(8,620)
Net cash (used) from operating activities		**(9,656,008)**	(10,065,231)
Cash flows from investing activities			
Payments to acquire financial assets		**–**	(1,481,760)
Purchase of property, plant and equipment		**(1,807,179)**	(492,496)
Interest (paid) / received		**(179,034)**	34,043
Advances to subsidiary companies		**(1,001,589)**	(8,416,994)
(Increase) in restricted cash		**(182,243)**	(4,751,470)
Net cash outflow from investing activities		**(3,170,045)**	(15,108,677)
Cash flows from financing activities			
Proceeds of issue of share capital, net of costs		**–**	35,769,754
Cost of issue of shares in 2013		**(473,715)**	–
Proceeds from drawdown of other loans		**8,415,037**	2,612,315
Repayment of other loans		**(3,070,671)**	(6,292,571)
Movement in director loan		**1,258,549**	60,309
Interest received / (paid)		**126,453**	(880,224)
Net cash inflow from financing activities		**6,255,653**	31,269,583
Net (decrease) / increase in cash and cash equivalents		**(6,570,400)**	6,095,675
Effect of foreign exchange fluctuation on cash and cash equivalents		**220,262**	44,689
Cash and cash equivalents at start of year	21	**7,789,260**	1,648,896
Cash and cash equivalents at end of year	21	**1,439,122**	7,789,260

On behalf of the board

Oisín Fanning
Director

Raymond King
Director

1. Statement of Accounting Policies

San Leon Energy Plc ("the Company") is a company incorporated and domiciled in the Republic of Ireland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The registered office address is 1st Floor, Wilton House, Wilton Place, Dublin 2.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Statement of compliance
As required by AIM and ESM rules and permitted by Company Law, the Group financial statements have been prepared in accordance with IFRS as adopted by the EU. The individual financial statements of the Company (Company financial statements) have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2014, which permits a Company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 304 of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRS adopted by the EU as applied by the Group and the Company in the preparation of these financial statements are those that were effective for accounting periods commencing on or before 1 January 2014 or were early adopted as indicated below. The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRS and IFRIC interpretations adopted by the Group as of 1 January 2014.

New or amended standard	Effective date	Summary of requirements	Impact on consolidated financial statements
IFRS 10 Consolidated Financial Statements	1 January 2014	Under the new control-based model for consolidation established by IFRS 10, an investor controls an investee when (i) it has exposure to variable returns from that investee (ii) it has the power over relevant activities of the investee that affect those returns and (iii) there is a link between that power and those variable returns.	The Directors have reassessed the Company's investments in all entities and determined that there are no differences under IFRS 10's control-based model for consolidation.
IFRS 11 Joint Arrangements	1 January 2014	1 January 2014 IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. The predecessor standard, IAS 31, focused to a greater extent on the legal form to determine the presence of 'jointly controlled entities' (JCEs) which would then have been equity accounted for or proportionately consolidated.	The Directors have assessed the Group's involvement in joint arrangements under IFRS 11 and determined their classification to be joint ventures. There is no difference in the accounting treatment applied to that of the previous standard.
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014	IFRS 12 sets out more comprehensive disclosures relating to the nature, risks and financial effects of interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.	The Group has provided further disclosure relating to its interests in entities where applicable.

The following new standards and amendments were adopted by the Group for the first time in the current financial reporting period with no resulting impact on the consolidated financial statements:

New or amended standard	Effective date
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014
Separate financial statements (IAS 27)	1 January 2014
Investments in associate and joint ventures (IAS 28)	1 January 2014

New standards and interpretations effective that have not been early adopted

A number of new standards or amendments to existing standards as set out below have been published, endorsed by the EU and are mandatory for accounting periods commencing on or after 1 July 2014. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the upcoming standards to determine their impact.

Standard	Effective date
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 February 2015
Annual improvements to IFRSs 2010-2012 Cycle, and Annual Improvements to IFRSs 2011-2013 Cycle	1 February 2015
Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations	Not yet endorsed
IFRS 14: Regulatory Deferral Accounts	Not yet endorsed
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation	Not yet endorsed
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants	Not yet endorsed
Amendments to IAS 27 Equity method in Separate Financial Statements	Not yet endorsed
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (September 2014)	Not yet endorsed
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception (December 2014)	Not yet endorsed
Amendments to IAS 1: Disclosure Initiative	Not yet endorsed
Annual Improvements to IFRSs 2012-2014 Cycle	Not yet endorsed
IFRS 15: Revenue from contracts with customers	Not yet endorsed
IFRS 9 Financial Instruments (2009, and subsequent amendments in 2010 and 2013)	Not yet endorsed

Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for financial assets (net profit interests and quoted shares), which are carried at fair value, and equity settled share option awards and warrants which are measured at grant date fair value.

Going concern

The Directors have prepared a detailed cash flow forecast for the Group and Company for the period to 31 December 2016.

The cash flow forecast reflects the Directors' plans for the on-going exploration activity across the Group's exploration asset portfolio taking account of its licence commitments, technical team costs, administrative overhead, other financial commitments, agreed and potential farm-ins and its available financial resources from existing cash balances and committed facilities. The principal assumptions underlying the cash flow forecast and the availability of finance to the Group are as follows:

- The proposed conditional placing (the "Placing") and share capital reorganisation will complete;
- Certain subsidiaries of the Group will be successful in their legal challenge to the ruling of the International Court of Arbitration of the International Chamber of Commerce in relation to Avobone N.V. and Avobone Poland B.V.
- The proposed farm-outs will complete as planned with timely receipt of associated consideration;
- Production revenues and exploration and administrative expenditure will be in line with current expectations and commitments;

The signed Term Sheet for a Fixed Schedule Equity Funding Agreement ("FSEFA") between the Company and YA Global Master SPV Ltd ("YA Global") provides the Group with a debt facility of Stg£21 million accessible over a 30 month period from 21 May 2015 ("the facility"). This Term Sheet modifies the existing Standby Equity Distribution Agreement with YA Global, which remains in effect.

In the event, that the Placing is not approved at the Company's AGM on 15 July 2015, the Group has an additional loan facility of £30m available from Brandon Hill Capital which can be drawn down in two instalments over the next 6 months.

The Company intends to use the net proceeds from the Placing as follows:

- To provide any capital requirements to target cash flow from the Rawicz and Siekierki fields. Given that the next well on Rawicz will be at no up-front cost to the Company, and activity on the first three Siekierki wells is fully carried, such net capital requirement is likely to be £2 million to £4 million, with cash flow from production expected to begin in 2016. The intention is to secure project finance to cover most, or all, of these costs, so funds will be a back-up to such financing.
- To drill some of the most promising prospects that the Company has generated over the past five years, including an onshore Tertiary play on the Tarfaya licence in Morocco (approximately £3 million), and a well on the Durresi block in Albania (where the offshore carbonate target will be accessed by directional drilling from an onshore location, approximately £5 million). Both wells are expected to be drilled in 2015.
- To provide general working capital, including licence maintenance and technical evaluations.
- To apply the balance of net Placing proceeds of up to £15 million to funding the Company's share of farmed-out projects should there be any such costs, as well as to target any low-risk acquisition opportunities in the current market climate.

Taking into account the net proceeds of the Placing, and conditional upon the Placing completing, the Directors are of the opinion that the Company has sufficient working capital for the foreseeable future, that is for at least 12 months from the date of admission of the new shares on AIM.

In addition, the strategy of the Directors is to mitigate risk on its exploration portfolio by monetising certain assets through outright/partial disposal of interests or securing farm-in partners on certain projects. The Directors intend, where appropriate, to continue to seek to structure such farm-ins to secure cash contributions for past costs or secure payments for future exploration activities. The Directors are engaged in on-going discussions on a number of its assets which they expect will generate cash resources to assist in financing the Group's exploration programme in the foreseeable future.

The cash flow forecast for the period to 31 December 2016 shows sufficient cash resources available to enable the Group and Company to discharge its debts as they fall due and to continue to develop its business in accordance with its strategy. The cash flow forecast indicates that provided that all assumptions materialise no drawdowns under the FSEFA debt facility will be required.

After considering the cash flow forecast and the underlying assumptions, sensitivities and the financing facilities available to the Group, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence and to discharge its debts as they fall due for the foreseeable future.

Accordingly the Directors continue to adopt the going concern basis of preparation of the financial statements for the year ended 31 December 2014.

Functional and presentation currency

These consolidated financial statements are presented in Euro (€), which is the Company's functional currency and the Group's presentational currency.

Use of Estimates and Judgements

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- Recoverability of intangible assets (note 11)
- Recoverability of equity accounted investments (note 12)
- Measurement of financial assets (note 17)
- Measurement of share-based payments (note 28)
- Recognition of tax losses (note 31)
- Contingent liability (Avobone) (note 30)

Basis of consolidation
The financial information incorporates the financial information of the Company and entities controlled by the Group (its subsidiaries). Control is the power either directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group. Intra-group balances and any unrealised gains and losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is defined as when the Group is to or has rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions
The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Intangible assets – exploration and evaluation assets
Expenditure incurred prior to obtaining the legal rights to explore an area is recognised in profit or loss as incurred. All expenditure relating to licence acquisition, exploration, evaluation and appraisal of oil and gas interests, including an appropriate share of directly attributable overheads, is capitalised on a licence by licence basis.

Exploration and evaluation assets are carried at cost until the exploration phase is complete or commercial reserves have been discovered. The Group regularly reviews the carrying amount of exploration and evaluation assets for indicators of impairment and capitalised costs are written off where the carrying amount of assets may not be recoverable. Where commercial reserves have been established and development is approved by the Board, the relevant expenditure is transferred to oil and gas properties following assessment of impairment.

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

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

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

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

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

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

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

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

Jointly controlled arrangements
The Group participates in a number of joint arrangements where the control of the arrangement is shared with one or more other parties. A joint arrangement is classified as a joint operation or as a joint venture in accordance with IFRS 11. Management have made an assessment of the legal form and substance of the arrangement existing at year end to ensure they are presented correctly. The classification of arrangement has a material impact on the consolidated financial statements. The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line by line basis, whereas the Group's investment and share of results of joint ventures are equity accounted for and shown within a single line within the consolidated statement of financial position and consolidated income statement respectively.

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

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

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

Decommissioning provision
A provision is made for decommissioning of oil and gas wells. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recognised and reassessed at each reporting date. This amount is regarded as part of the total investment to gain access to economic benefits and consequently capitalised as part of the cost of the asset and the liability is recognised in provisions. Such cost is depleted over the life of the asset on the basis of estimated proven and probable reserves and charged to the Income Statement. The unwinding of the discount is reflected as a finance cost in the Income Statement over the life of the field or well.

Taxation
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are controlled and probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currencies
Transactions in foreign currencies are initially translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rates ruling at the reporting date with gains or losses recognised in profit or loss. Non-monetary items are translated using the exchange rates ruling as at the date of the initial transaction.

Foreign operations
The assets and liabilities of foreign operations are translated into Euro at the exchange rate at the reporting date and the income and expenses of foreign operations are translated at the actual exchange rates at the date of the transaction or at average exchange rates for the year where this approximates to the actual rate. Exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. Details of exchange rates used are set out in Note 33.

Revenue
Revenue from the sale of gas is recognised when the significant risks and rewards of ownership have been transferred, which is when the title passes to the customer. Revenue is measured at the fair value of the consideration receivable net of value added tax.

Finance income and expenses
Interest income is accrued on a time basis by reference to the principal on deposit and the effective interest rate applicable.

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

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

Share Based Payments
The Group has applied the requirements of IFRS 2 'share based payments'. The Group issues share options as an incentive to certain key management and staff (including Directors), which are classified as equity settled share based payment awards. The grant date fair value of share options granted to Directors and employees under the Company's share option scheme is recognised as an expense over the vesting period with a corresponding credit to the share based payments reserve. The fair value is measured at grant date and spread over the period during which the awards vest. The fair value of options granted in the year has been determined by an external valuer using an appropriate valuation model as detailed in Note 28.

The options issued by the Group are subject to both market-based and non-market based vesting conditions. Market conditions are included in the calculation of fair value at the date of the grant. Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the number of the equity instruments that are expected to vest. The proceeds received net of any directly attributable transaction costs will be credited to share capital (nominal value) and share premium when options are converted into ordinary shares.

Any grant date fair value of options granted under the company's share option scheme that were recognised as an expense over the vesting period and are subsequently cancelled and reversed as an expense with a corresponding debit to the share based payment reserve.

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

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

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

Full details of the Group's operating segments all of which are involved in oil and gas exploration are set out in Note 1 to the financial statements.

Assets and liabilities held for sale
Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and Other Comprehensive Income is represented as if the operation had been discontinued from the start of the comparative year.

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

Significant valuation issues are reported to the board.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For further detail on assumptions made in measuring Level 3 fair values see the following notes: Note 17 Financial Assets and Note 23 Derivative.

Assets and liabilities measured at fair value
In accordance with IFRS 13, the group discloses its assets and liabilities held at fair value after initial recognition in the following categories: at fair value through profit or loss and available for sale.

With the exception of shares held in quoted entities, which are classified as level 1 items under the fair value hierarchy, all assets and liabilities held at fair value are measured on the basis of inputs classified as level 3 under the fair value hierarchy on the basis that the inputs underpinning the valuations are not based on observable market data as defined in IFRS 13.

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximises the use of observable market inputs, e.g. market exchange and interest rates. All derivatives entered into by the Group are included in Level 3 and consist of share warrants issued.

2. Revenue and Segmental Information

Operating segment information is presented on the basis of the geographical areas as detailed below, which represent the financial basis by which the Group manages its operations. The Board of Directors, which has been recognised as the Chief Operating Decision Maker (CODM), regularly review internal management reports for each of the segments based on the below criteria which management consider to be appropriate in evaluating segment performance relative to other entities that operate in the industry.

	Poland		Morocco		Ireland	
	2014 €	2013 €	**2014 €**	2013 €	**2014 €**	2013 €
Total revenue	**–**	–	**–**	–	**–**	–
Discontinued operations						
Revenue	**–**	–	**–**	–	**679,690**	992,918
Segment (loss) / profit before income tax	**(12,259,539)**	(8,038,107)	**(84,795)**	(161,278)	**30,258**	(229,742)
Exploration and Evaluation Assets	**93,002,109**	128,832,927	**52,817,861**	41,839,524	**–**	–
Impairment of exploration and evaluation assets	**(6,172,878)**	(7,039,679)	**–**	–	**–**	(3,579,880)
Equity accounted investments	**44,483,000**	23,728,594	**–**	–	**–**	–
Impairment of Equity Accounted Investments	**(3,345,664)**	–	**–**	–	**–**	–
Non-current assets	**139,544,775**	156,315,010	**61,324,528**	47,630,733	**42,123,054**	37,083,316
Capital expenditure^	**5,912,905**	46,098,983	**11,886,617**	2,653,217	**–**	421,468
Segment liabilities	**(3,189,123)**	(11,185,211)	**(1,001,724)**	(248,431)	**–**	(5,265,551)

Revenue relates to the Group's share of the sale of gas to one customer in the Republic of Ireland from the Seven Heads Gas Field, the provision of seismic acquisition services in Poland and residual royalty income from leasehold interests in the USA.

* Total segment assets for Ireland includes the Barryroe Net Profit Interest as detailed in note 17.
^ 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.
# Corporate includes head office balances and activities which are not directly attributable to any other segment.

3. Other income

Group	**2014 €**	2013 €
Gain on Talisman acquisition	**–**	4,229,277

Talisman Gain (Note 29)

In May 2013, San Leon signed a share purchase agreement with Talisman, whereby San Leon Energy B.V. acquired the entire issued share capital of Talisman's Polish subsidiary, Talisman Energy Polska Sp. z o.o. ("Talisman Polska"). In consideration, San Leon Energy B.V. assumed all assets and obligations of Talisman Polska. As a result of this transaction, San Leon has now regained 100% ownership of the Gdansk W and Braniewo S concessions and increased its interest to 50% on the Szczawno concession.

Romania		Albania		Other Areas		Corporate #		Total	
2014 €	2013 €	**2014 €**	2013 €	**2014 €**	2013 €	**2014 €**	2013 €	**2014 €**	2013 €
–	–	**–**	–	**2,942**	3,013	**–**	–	**2,942**	3,013
–	–	**–**	–	**–**	–	**–**	–	**679,690**	992,918
–	–	**(85,850)**	(73,190)	**(3,038,997)**	(212,732)	**(21,980,134)**	(3,809,144)	**(37,419,057)**	(12,064,709)
9,412,912	9,057,415	**7,123,367**	6,430,002	**1,019,175**	3,144,506	**–**	–	**163,375,424**	189,304,374
–	–	**–**	–	**(2,976,958)**	–	**–**	–	**(9,149,836)**	(10,619,559)
–	–	**–**	–	**–**	–	**–**	–	**44,483,000**	23,728,594
–	–	**–**	–	**–**	–	**–**	–	**(3,345,664)**	–
9,419,663	9,072,404	**7,123,367**	6,430,002	**1,852,218**	3,967,883	**6,030,345**	635,607	**267,417,950**	(261,134,955)
395,138	9,238,927	**693,366**	1,379,161	**1,057,313**	500,401	**–**	372,556	**19,945,339**	60,664,713
(97,987)	(941,654)	**(14,241)**	(38,271)	**(160,216)**	(96,310)	**(25,974,972)**	(5,759,779)	**(30,438,263)**	(23,535,207)

4. Loss on disposal of subsidiaries

In September 2013 the Company signed a Binding Heads of Agreement in respect of the sale of Island Oil & Gas Limited, a subsidiary of the company to Ardilaun Energy Limited (“Ardilaun”). Under the terms of the sale, Ardilaun agreed to pay San Leon Energy US$3 million, with €738,716 (US$1 million) payable immediately and the balance of US$2 million payable within twelve months of the completion of the sale. Ardilaun has also agreed to issue to San Leon Energy, shares equivalent to 15 per cent of the enlarged issued share capital of Ardilaun post-completion of the sale and prior to its intended listing on an international exchange.

Prior to their reclassification as assets held for sale in 2013 the exploration and evaluation assets were impaired by €3.6 million. The impairment was determined by management by comparing the carrying value of the net assets to the proposed consideration in the transaction. The fair value of the 15% of the enlarged issued share capital of Ardilaun was based on a recent market transaction.

During the year, the sale to Ardilaun completed and the Group recognised a loss on disposal of €6,429,007. The loss primarily related to the Group’s contribution to the decommissioning liability associated with the exploration and evaluation assets disposed of.

Results from discontinued operations – Ardilaun

	2014 €	2013 €
Revenue	**679,690**	992,918
Cost of sales	**(658,891)**	(632,810)
Gross profit	**20,799**	360,108
Administration expenses	**9,459**	(130,366)
Impairment of assets reclassified as held for sale	**–**	(3,579,880)
Results from operating activities	**30,258**	(3,350,138)
Income tax	**–**	–
Results from operating activities after tax	**30,258**	(3,350,138)

The total profit / (loss) from discontinued operations is attributable to the owners of the Company.

	2014 €	2013 €
Cash flows from discontinued operations		
Net cash from operating activities	**285,079**	413,360
Net cash flows for the year	**285,079**	413,360

	2014 €	2013 €
Earnings per share from discontinued operations		
Basic earnings / (loss) per share	**0.01 cent**	(0.17) cent
Diluted earnings / (loss) per share	**0.01 cent**	(0.17) cent

5. Statutory information

(a) Group

	2014 €	2013 €
The loss for the financial year is stated after charging / (crediting):		
Depreciation of property, plant and equipment	**101,570**	118,006
(Gain) / loss on foreign currencies	**(597,863)**	962,590
Operating lease rentals		
– Premises	**1,541,801**	1,227,622
– Motor vehicles	**47,481**	200,174
Acquisition costs	**–**	225,000
Pre-licence expenditure	**2,608,693**	225,272
Impairment of exploration and evaluation assets	**9,149,836**	7,036,679
Impairment of equity accounted investments	**3,345,664**	–
Impairment of assets reclassified as held for sale	**–**	3,579,880

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

	2014 €	2013 €
Audit Services		
Group Auditor – KPMG Ireland	**95,000**	86,000
Group Auditor – KPMG Poland	**–**	–
	95,000	86,000
Tax and non-assurance services		
Group Auditor – KPMG Ireland	**–**	5,000
Other network firm – KPMG	**5,000**	14,000
	5,000	19,000
Total		
Group Auditor – KPMG Ireland	**95,000**	91,000
Other network firm – KPMG	**5,000**	14,000
	100,000	105,000

Tax and non-assurance services relates to tax and advisory work in Poland.

5. Statutory information continued

(b) Company

	2014 €	2013 €
The loss for the financial year is stated after charging / (crediting):		
Depreciation of property, plant and equipment	**101,360**	81,738
Loss / (gain) on foreign currencies	**166,135**	(208,190)
Operating lease rentals – premises	**955,396**	662,005
Auditor's remuneration – audit services	**25,000**	25,000
Auditor's remuneration – other services	**7,500**	7,500
Pre-licence expenditure	**480,697**	8,737

As permitted by Section 304 of the Companies Act 2014, the Company Income Statement has not been separately disclosed in these financial statements. A loss of €42,397,063 (2013: €7,899,786) has been recorded in the parent company.

6. Finance expenses

	2014 €	2013 €
On loans and overdraft	**146,976**	294,154
Finance arrangement expenses	**1,649,683**	1,293,086
	1,796,659	1,587,240

7. Finance income

	2014 €	2013 €
Deposit interest received	**3,252**	39,742
Interest on other loan	**23,683**	35,834
Fair value movement on issue of warrants to non-employee (note 23)	**204,417**	1,675,817
	231,352	1,751,393

8. Personnel expenses

Number of employees

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

	2014 Number	2013 Number
Directors	**6**	6
Administration	**27**	30
Technical	**25**	39
Seismic crew	**30**	68
	88	143

Employment costs (including directors)

	2014 €	2013 €
Wages and salaries (excluding directors)	**4,680,311**	6,690,904
Redundancy costs	**–**	370,910
Directors' salaries	**1,946,936**	1,880,345
Social welfare costs	**567,018**	864,789
Directors' fees	**231,328**	602,954
Consultancy services	**294,889**	–
Share based payments (including directors)	**1,037,916**	2,885,534
Directors' pension	**96,000**	97,417
	8,854,398	13,392,853

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

During the year, €4,194,608 (2013: €6,452,146) was capitalised in exploration and evaluation assets in respect of Group employment costs above including €870,875 (2013: €2,135,260) in respect of share based payments.

The Group contributes to a defined contribution pension scheme for certain executives and employees. The scheme is administered by trustees and is independent of the Group finances. Total contributions by the Group to the pension scheme including Directors' remuneration amounted to €200,198 (2013: €271,992).

9. Income tax expense

	2014 €	2013 €
Current tax		
Current year income tax expense	**90,206**	19,778
Deferred tax		
Origination and reversal of temporary differences	**785,351**	–
Total income tax expense	**875,557**	19,778

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:

	2014 €	2013 €
Loss before income tax	**(37,388,799)**	(17,031,800)
Tax on loss at applicable Irish corporation tax rate of 25% (2013: 25%)	**(9,347,200)**	(8,900,521)
Effects of:		
Income not taxable	**(51,170)**	(1,793,092)
Expenses not deductible for tax purposes	**6,148,361**	3,989,052
Losses utilised in the year	**(28,763)**	(90,027)
Income tax withheld	**9,923**	8,153
Origination and reversal of temporary differences	**785,351**	–
Excess losses carried forward	**3,359,055**	2,163,642
Tax charge for the year	**875,557**	19,778

10. Earnings per share

Basic earnings per share

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

	2014 €	2013 €
Loss for the year	**(38,264,356)**	(17,051,578)

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

	Number of shares	Number of shares
In issue at start of year	**2,531,218,948**	1,229,432,785
Effect of shares issued related to a prior year business combination	**2,887,559**	593,103,895
Effect of share options and warrants exercised	**245,471**	–
Effect of shares issued in the year	**–**	129,243,421
Effect of outstanding exchangeable shares	**946,960**	6,339,867
Weighted average number of ordinary shares in issue (basic)	**2,535,298,938**	1,958,119,968
Basic loss per ordinary share (cent)	**(1.51)**	(0.87)

10. Earnings per share continued

Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding after adjustment for effects of all dilutive potential ordinary shares as follows:

	2014 €	2013 €
Loss for the year (diluted)	**(38,264,356)**	(17,051,578)

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

	Number of shares	Number of shares
Basic weighted average number of shares in issue during the year	**2,535,298,938**	1,958,119,968
Effect of share options and warrants in issue	**–**	–
	2,535,298,938	1,958,119,968
Diluted loss per ordinary share (cent)	**(1.51)**	(0.87)

At 31 December 2014, a total of 190,473,887 (2013: 193,021,006) options, warrants and potential ordinary shares were excluded from the weighted average number of ordinary shares calculation for diluted earnings per share as their effect would have been anti-dilutive.

11. Intangible assets

Group	Exploration and Evaluation assets €
Cost and net book value	
At 1 January 2013	165,390,968
Additions (ii)	29,289,589
Acquisition through business combinations (note 29)	22,860,065
Currency translation adjustment	(4,359,446)
Impairment of exploration assets	(7,036,679)
Impairment of assets reclassified as held for sale (note 5)	(3,579,880)
Proceeds of offshore Morocco farm out	(1,210,217)
Transfer to held for sale assets (note 4)	(15,302,394)
At 31 December 2013	**186,052,006**
Additions (ii)	19,945,338
Currency translation adjustment	910,192
Impairment of exploration assets (i)	(9,149,836)
Disposals	(205,688)
Proceeds from farm-out arrangement	(10,945,319)
Transfer to equity accounted investments (note 12)	(23,231,269)
At 31 December 2014	**163,375,424**

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

11. Intangible assets continued

(i) The following exploration concessions in the Group were relinquished during the year resulting in an impairment of €9.1 million of historical accumulated exploration costs:

Area	€
Poland	
Poreba	143,808
Jordanów	2,900,434
Mszana	2,402,801
Wetlina	519,009
Laski	206,826
Italy	2,976,958
	9,149,836

(ii) This is the net amount incurred by San Leon Energy and excludes amounts attributable to joint operating partners of €363,293 (2013: €4,045,909).

The Directors have considered the carrying value at 31 December 2014 of capitalised costs in respect of its exploration and evaluation assets. These assets have been assessed for impairment indicators and in particular with regard to remaining licence terms, likelihood of licence renewal, likelihood of further expenditures and on going appraisals for each area, as described in the Operating Review. Based on internal assessments, the Directors have impaired the exploration and evaluation assets by €9.1 million and are satisfied that there are no further impairment indicators and that future exploration and evaluation activities are appropriate in light of the carrying value of these assets. The Directors recognise that future realisation of these oil and gas interests is dependent on future successful exploration and appraisal activities and subsequent production of oil and gas reserves.

12. Equity accounted investments

Group	**2014 €**	2013 €
Cost and net book value		
At 1 January	**23,728,594**	17,178,666
Acquisitions of interests (ii)	**–**	5,080,393
Transfer from exploration and evaluation assets (iii)	**23,231,269**	–
Transfer from other assets	**1,753,188**	–
Proceeds of farm out arrangement (iii)	**(1,922,406)**	–
Impairment of equity accounted investments (i)	**(3,345,664)**	–
Exchange rate adjustment	**37,405**	(20,208)
Net advances to equity accounted investments	**1,054,616**	1,631,488
Share of loss of equity accounted investments	**(54,002)**	(141,745)
At 31 December	**44,483,000**	23,728,594

12. Equity accounted investments continued

(i) In June 2012, San Leon purchased a 75% interest in three LLPs, namely Olesnica LLP, Wielun LLP and South Prabuty LLP, from Hutton Energy Plc. The LLPs are the 100% title holders of the following Polish exploration concession areas: Wielun (219,430 acres) and Olesnica (286,642 acres) concessions in the Carboniferous Basin, and the South Prabuty concession (118,611 acres) in the Baltic Basin. The purchase consideration of €11.88 million (USD15 million) was payable by the issue of new Ordinary shares in San Leon. Hutton Poland Limited own the remaining 25% of the three LLPs.

As part of the acquisition of Realm Energy in 2011, San Leon acquired a 50% equity interest in each of Joyce Investments Sp. z o.o. and Maryani Investments Sp. z o.o., who in turn are the titleholders in the Ilawa and Wegrow exploration concessions in Poland. Kaynes Capital S.a.r.l. own the remaining 50% of both entities.

As of February 28, 2015, the Company along with its joint venture partner Kaynes informed the Ministry of Geology that the Ilawa concession was being relinquished. As at 31 December 2014, the Company's investment in the Joyce Investments Sp. z o.o. joint venture was fully impaired.

The Wegrow concession that was previously held by Maryani expired in June 2014, which resulted in a full impairment of the Company's investment in Maryani during the year ended 31 December 2014.

(ii) In January 2013, San Leon acquired a 90% interest in Energia Zachod Sp. Z o.o. and a 45% interest in each of Energia Torzym Sp. Z o.o Spk. and Energia Cybinka Sp. Z o.o. Spk. as part of the Aurelian Oil and Gas PLC acquisition. Avobone Poland B.V. own the other 10% of Energia Zachod Sp. Z o.o. SNGN Romgaz S.A. own 30% of both Energia Torzym Sp. Z o.o Spk. and Energia Cybinka Sp. Z o.o. Spk. with Sceptre Oil and Gas Limited owning the remaining 25% of both entities.

(iii) On 1 July 2014 the company announced that it had signed a joint venture agreement with Palomar Natural Resources ("PNR") across seven Concessions in Poland's Permian Basin initially focused on developing the discovered, unproduced Siekierki and Rawicz gas fields. In return for a 65% working interest in the Southern Permian Basin and Northern Permian Basin Concessions, PNR has paid upfront to San Leon €3,615,068 ($5 million) and €11,032,657 ($15 million), respectively, in cash and will carry San Leon for a defined initial work programme aimed at bringing the Rawicz and Siekierki fields into production as soon as possible. PNR became the operator of all of the Concessions.

The PNR transaction was accounted for as a farm-out transaction.

Prior to the joint venture agreement the company undertook a reorganisation of the assets that formed the deal. Two new companies were set-up, TSH Energy Joint Venture B.V. ("TSH") and Poznan Energy B.V. ("Poznan"), and the assets were transferred to the two new entities as follows:

The Rawicz (39/2009/p), Wschowa (8/2009/p), Gora (30/2008/p) and Nowa Sol (5/2009/p) concessions ("Southern Permian Basin") were transferred to TSH; and the Poznan North (26/2008/p), Poznan East (4/2003/p), Poznan East (5/2003/p) concessions ("Northern Permian Basin") were transferred to Poznan.

The Company's joint venture entities are as follows:

Name	Registered office
Olesnica LLP	43 Grosvenor Street, London, W1K 3HL, United Kingdom.
South Prabuty LLP	43 Grosvenor Street, London, W1K 3HL, United Kingdom.
Wielun LLP	43 Grosvenor Street, London, W1K 3HL, United Kingdom.
Energia Torzym Sp. z o.o. Sp. K.	Ul. Moniuszki 1a, 00-014, Warsaw, Poland
Energia Cybinka Sp. z o.o. Sp. K.	Ul. Moniuszki 1a, 00-014, Warsaw, Poland
TSH Energy Joint Venture B.V.	Mendelssohnlaan 33, 6815 ET, Arnhem, The Netherlands
Poznan Energy B.V.	Mendelssohnlaan 33, 6815 ET, Arnhem, The Netherlands
Joyce Investments Sp. z o.o.	Al. Jerozolimskie 56C, 00-803, Warsaw, Poland
Maryani Investments Sp. z o.o.	Al. Jerozolimskie 56C, 00-803, Warsaw, Poland

12. Equity accounted investments continued

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

2014

	Olesnica LLP (i)	South Prabuty LLP (i)	Wielun LLP (i)	Joyce Investments Sp. Z o.o. (ii)	Maryani Investments Sp. Z o.o. (ii)	Energia Zachod Sp. Z o.o. (ii)	Energia Torzym Sp. Z o.o. Spk (iii)	Energia Cybinka Sp. Z o.o. Spk (iii)	Poznan Energy B.V. (iv)	TSH Energy Joint Venture B.V. (iv)	Total
Equity interest	75%	75%	75%	50%	50%	90%	45%	45%	35%	35%	
	€	€	€	€	€	€	€	€	€	€	€
Total comprehensive loss	**(4,954)**	**(2,189)**	**(3,794)**	**(56,240)**	**(27,377)**	**(1,339)**	**(2,701)**	**(3,489)**	**–**	**–**	**(102,083)**
Non–current assets	957,515	843,852	804,043	536,139	–	–	10,662,645	3,720,479	17,179,908	76,661	34,781,242
Current assets excluding cash	9,358	8,755	12,512	5,406	6,774	–	29,100	16,356	602,563	38,070,976	38,761,800
Cash	555	291	262	8,245	101,129	–	25,033	6,682	45	111	142,353
Current liabilities	(162,316)	(92,939)	(132,992)	(939,871)	(830,113)	–	(10,891,795)	(3,729,352)	(346,896)	(1,074,642)	(18,200,916)
Net assets / (liabilities)	**805,112**	**759,959**	**683,825**	**(390,081)**	**(722,210)**	**–**	**(175,017)**	**14,165**	**17,435,620**	**37,073,106**	**55,484,479**
Group's interest in net assets of investee at 1 January 2014	666,497	83,767	54,834	(110,376)	(462,451)	(40,788)	(13,310)	(15,718)	–	–	162,455
Share of loss	(3,716)	(1,642)	(2,845)	(28,120)	(13,688)	(1,205)	(1,216)	(1,570)	–	–	(54,002)
Group's interest in net assets of investee at end of year	662,781	82,125	51,989	(138,496)	(476,139)	(41,993)	(14,526)	(17,288)	–	–	108,453
Other adjustments	6,463,116	2,601,930	5,544,918	3,038,197	826,413	1,681,308	2,043,158	1,367,099	–	–	23,566,139
Advances / (repayments)	(43,840)	–	(115,000)	55,375	–	286,000	182,817	147,700	426,917	114,647	1,054,616
Impairment	–	–	–	(3,006,742)	(338,922)	–	–	–	–	–	(3,345,664)
Transfer from E&E assets	–	–	–	–	–	–	–	–	–	23,231,269	23,231,269
Transfer from other assets	–	–	–	–	–	–	–	–	–	1,753,188	1,753,188
Disposal	–	–	–	–	–	(1,922,406)	–	–	–	–	(1,922,406)
Foreign exchange	–	–	–	51,666	(11,352)	(2,909)	–	–	–	–	37,405
Carrying amount of investee at end 31 December 2014	**7,082,057**	**2,684,055**	**5,481,907**	**–**	**–**	**–**	**2,211,449**	**1,497,511**	**426,917**	**25,099,104**	**44,483,000**

The above interests are accounted for as equity accounted investments as San Leon does not have control over the entities, which are governed under Joint Venture Agreements requiring the approval of both parties to the Joint Venture Agreement in respect of all operating decisions.

The Directors recognise that the future realisation of the equity accounted investments is dependent on future successful exploration and appraisal activities and subsequent production of oil and gas reserves and that the future exploration and evaluation activities are appropriate in light of the carrying value of these assets.

12. Equity accounted investments continued

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

2013

	Olesnica LLP (i)	South Prabuty LLP (i)	Wielun LLP (i)	Joyce Investments Sp. Z o.o. (ii)	Maryani Investments Sp. Z o.o. (ii)	Energia Zachod Sp. Z o.o. (iii)	Energia Torzym Sp. Z o.o. Spk (iii)	Energia Cybinka Sp. Z o.o. Spk (iii)	Total
Equity interest	75%	75%	75%	50%	50%	90%	45%	45%	
	€	€	€	€	€	€	€	€	€
Total comprehensive loss	**(2,236)**	**(2,350)**	**(2,323)**	**(103,434)**	**(30,060)**	**(45,320)**	**(29,578)**	**(34,928)**	**(250,229)**
Non-current assets	788,151	691,666	746,736	646,294	583,627	99,655,906	10,324,817	3,276,155	116,713,352
Current assets excluding cash	10,929	128,359	147,443	2,570	94,304	19,096	19,574	3,287,786	3,710,061
Cash	1,091	1,155	325	6,293	24,543	729	17,921	873	52,930
Current liabilities	(16,214)	(18,505)	(16,878)	(250,279)	(131,894)	(100,954,750)	(10,539,559)	(3,376,984)	(115,305,063)
Net assets / (liabilities)	**783,957**	**802,675**	**877,626**	**404,878**	**570,580**	**(1,279,019)**	**(177,247)**	**3,187,830**	**5,171,280**
Group's interest in net assets of investee at 1 January 2013	668,174	85,529	56,576	(58,659)	(447,421)	–	–	–	304,199
Share of loss	(1,677)	(1,763)	(1,742)	(51,717)	(15,030)	(40,788)	(13,310)	(15,718)	(141,745)
Group's interest in net assets of investee at end of year	666,497	83,766	54,834	(110,376)	(462,451)	(40,788)	(13,310)	(15,718)	162,454
Other adjustments	6,462,978	2,601,848	5,545,281	3,038,056	826,413	1,681,307	2,043,158	1,367,099	23,566,140
Carrying amount of investee at end 31 December 2013	**7,129,475**	**2,685,614**	**5,600,115**	**2,927,680**	**363,962**	**1,640,519**	**2,029,848**	**1,351,381**	**23,728,594**

13. Property, Plant and Equipment

Group

	Plant & equipment €	Assets under construction €	Office equipment €	Motor vehicles €	Total €
Cost					
At 1 January 2013	4,141,696	6,261,093	778,961	356,469	11,538,219
Additions	1,510,426	438,396	401,845	126,112	2,476,779
Currency translation adjustment	(81,966)	–	(8,323)	(6,890)	(97,179)
At 31 December 2013	5,570,156	6,699,489	1,172,483	475,691	13,917,819
Additions	–	1,807,179	210,554	1,670	2,019,403
Currency translation adjustment	(142,504)	–	(13,063)	(10,770)	(166,337)
Disposals	(86,881)	–	(244,492)	–	(331,373)
At 31 December 2014	5,340,771	8,506,668	1,125,482	466,591	15,439,512
Depreciation					
At 1 January 2013	1,246,632	–	343,322	88,589	1,678,543
Currency translation adjustment	(26,007)	–	(4,752)	(1,711)	(32,470)
Charge for the year	1,270,749	–	329,392	157,154	1,757,295
At 31 December 2013	2,491,374	–	667,962	244,032	3,403,368
Currency translation adjustment	(56,833)	–	(7,077)	(4,565)	(68,475)
Disposals	(86,606)	–	(94,222)	–	(180,828)
Charge for the year	1,097,946	–	269,663	85,935	1,453,544
At 31 December 2014	3,445,881	–	836,326	325,402	4,607,609
Net book values					
At 31 December 2014	**1,894,890**	**8,506,668**	**289,156**	**141,189**	**10,831,903**
At 31 December 2013	3,078,783	6,699,489	504,521	231,659	10,514,451

Assets under construction relate to the Company's Oil Shale Project in Morocco.

Company

	Assets under construction €	Office equipment €	Total €
Cost			
At 1 January 2013	6,264,831	384,792	6,649,623
Additions	438,396	52,395	490,791
At 31 December 2013	6,703,227	437,187	7,140,414
Additions	1,807,178	–	1,807,178
At 31 December 2014	8,510,405	437,187	8,947,592
Depreciation			
At 1 January 2013	–	134,148	134,148
Charge for the year	–	81,738	81,738
At 31 December 2013	–	215,886	215,886
Charge for the year	–	101,360	101,360
At 31 December 2014	–	317,246	317,246
Net book values			
At 31 December 2014	**8,510,405**	**119,941**	**8,630,346**
At 31 December 2013	6,703,227	221,301	6,924,528

Assets under construction relate to the Company's Oil Shale Project in Morocco.

14. Other non–current assets

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Deposits on Spanish oil and gas concession applications (i)	**735,596**	735,596	**–**	–
Deposits on Spanish oil and gas concessions (i)	**97,449**	87,780	**–**	–
Seismic acquisition costs prepayments	**–**	2,584,445	**–**	–
	833,045	3,407,821	**–**	–

(i) The deposits paid are recoverable on completion of work programmes attached to each of the concessions.

15. Foreign currency translation differences – foreign operations

	2014 €	2013 €
Foreign currency translation differences – foreign operations	**817,175**	(5,282,870)

Foreign currency translation differences relate to the revaluation of the net asset value of non Euro denominated foreign operations.

16. Financial assets – Company

	2014 €	2013 €
Investment in subsidiary undertakings at cost:		
Balance at beginning of year	**184,807,997**	121,661,518
Acquisition of Aurelian Oil and Gas Limited (i)	**–**	62,217,448
Impairment during the year	**(30,982,642)**	–
Capital contribution in respect of share options	**1,044,366**	929,031
Disposal of subsidiaries	**(2,994,591)**	–
Capital reduction by Canadian subsidiary (ii)	**(5,489,315)**	–
Balance at end of year	**146,385,815**	184,807,997

(i) San Leon acquired the entire issued and to be issued share capital of Aurelian by means of a Court-sanctioned scheme of arrangement under Part 26 of the UK Companies Act 2006, which was effective from 25 January 2013, for €62 million.

(ii) San Leon's investment in 0921642 B.C. Unlimited Liability Company was reduced by way of a capital reduction of €5.5m by special resolution. The reduction was offset against intercompany loans to the same value.

16. Financial assets – Company continued

At 31 December 2014, the Company had the following principal subsidiaries, all of which are wholly owned through holding all of the issued ordinary shares of the entities with the exception of San Leon Canada which has a non controlling minority interest due to the exchangeable shares issued on the Realm acquisition in 2011:

Name	Registered Office
Directly held:	
San Leon Energy B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon (USA) Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
San Leon (Morocco) Limited	PO Box 146, Trident Chambers, Tortola, BVI
San Leon (Netherlands) Limited	PO Box 146, Trident Chambers, Tortola, BVI
San Leon Energy Srl	Piazza Vescovio, 700199 Rome, Italy
San Leon Services Limited	12 Castle Street, St. Helier, Jersey JE2 3RT
Gold Point Energy Corp.	Suite 700, 625 Howe Street, Vancouver, B.C. V6C 2T6, Canada
0921642 B.C. Unlimited Liability Company	Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8, Canada
Aurelian Oil & Gas Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL, United Kingdom
Indirectly held:	
Baltic Oil and Gas Sp. Z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Vabush Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Braniewo Energy Sp. Z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Novaseis Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Helland Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
San Leon Services Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
San Leon Czersk Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
San Leon Praszka Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Aurelian Oil and Gas Poland Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Cybinka Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Torzym Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Kalisz Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Karpaty Wschodnie Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Karpaty Wschodnie Sp. z o.o. Spk.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Karpaty Zachodnie Sp. z o.o. Spk.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Bieszczady Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Energia Bieszczady Sp. z o.o. Spk.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Kotlarka Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Prusice Energy Sp. z o.o.	ul. Moniuszki 1A, 00-014 Warsaw, Poland
Island Expro Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
San Leon Iraq Limited	1st Floor, Wilton House, Wilton Place, Dublin 2
San Leon Durresi B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Morocco B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Offshore Morocco B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands

Name	Registered Office
Indirectly held continued:	
San Leon Tarfaya Shale B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Seisquest B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Adriatiku B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Canada Limited (formerly Realm Energy)	International Corporation) Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8, Canada
Realm Energy Operations Corporation	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8, Canada
Realm Energy (BVI) Corporation	Walkers Chambers, 171 Main Street, Road Town, Tortola, BVI
Realm Energy International Coopteratief U.A.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Realm Energy International Holding B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Realm Energy European Investments B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
Frontera Energy Corporation S.L.	Paseo Maria Agustin, 4-6, Esc 3. Piso 4, Zaragoza, 5004, Spain
San Leon Wielun B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Olesnica B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon South Prabuty B.V.	Kabelweg 37, 1014 BA, Amsterdam, The Netherlands
San Leon Energy (UK) Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL, United Kingdom
Aurelian Petroleum SRL (Romania)	6 Maior Ghe. Sontu Street, 3rd floor, 011448, Bucharest, Romania
AOG Finance Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL, United Kingdom
Balkan Explorers (Bulgaria) Limited	43 Grosvenor Street, Mayfair, London, W1K 3HL, United Kingdom

The principal activity of all of the above companies is oil and gas exploration with the exception of San Leon Services Limited, San Leon Energy (UK) Limited and San Leon Services Sp. z o.o. which provide employment and administrative services to the Group.

The following subsidiaries are exempt from the requirements relating to the audit of accounts under section 479A of the Companies Act 2006 (UK). The Company has guaranteed the liabilities of these entities at 31 December 2014.

Subsidiary Name	Company Number
Aurelian Oil & Gas Limited	01685863
San Leon Energy (UK) Limited	08429495
AOG Finance Limited	05929234
Balkan Explorers (Bulgaria) Limited	05385260

17. Financial assets

Group	Barryroe 4.5% net profit interest (i) €	Quoted shares (ii) €	Unquoted shares (ii) €	Total €
Cost				
At 1 January 2013	38,761,256	1,329,349	–	40,090,605
Fair value movement	(1,677,940)	(980,582)	–	(2,658,522)
At 31 December 2013	37,083,316	348,767		37,432,083
Additions	–	–	5,360,034	5,360,034
Fair value movement	5,039,736	62,725	–	5,102,461
At 31 December 2014	**42,123,052**	**411,492**	**5,360,034**	**47,894,578**
At 31 December 2013	37,083,316	348,767	–	37,432,083

Company	Quoted shares (ii)	Unquoted shares (iii)	Total €
At 1 January 2013	1,329,349	–	1,329,349
Additions	–	–	–
Fair value movement	(980,582)	–	(980,582)
At 31 December 2013	348,767	–	348,767
Additions (i)	–	5,360,034	5,360,034
Fair value movement	62,725	–	62,725
At 31 December 2014	**411,492**	**5,360,034**	**5,771,526**
At 31 December 2013	348,767	–	348,767

(i) Barryroe - 4.5% Net Profit Interest

In December 2011, San Leon Energy assigned its 30% working interest in Standard Exploration Licence 1/11 (“Licence” or “Barryroe”) in the Celtic Sea, Ireland to Providence Resources Plc (“Providence”) in exchange for a 4.5% Net profit interest (“NPI”) in the full field. Under the terms of the arrangement, San Leon Energy will not pay any further appraisal or development costs on the Licence. The Directors have estimated the fair value of this NPI by reference to a third party evaluation report of contingent resources and cash flows prepared by Netherland Sewell & Associates Inc. (NSAI) in July 2013 for Providence.

NSAI reported that the Basal Wealden oil reservoir has an estimated 2C in-place gross on-block volume of 761 MMBO with recoverable resources of 261 MMBO and 187 BCF of associated gas, based on a 35% oil recovery factor. In July 2013, NSAI also provided an estimate of the cash flows attributable to Providence’s net interest from the Basal Wealden oil reservoir only. It estimated Providence’s net present value at USD 2.63 billion in the 2C case (estimated recoverable resources of 266 MMBO and 187 BCF of associated gas) at a 10% discount rate. Further details are available on the Providence website.

Further information has also been made available by Providence and other sources regarding a revised development plan or development costs which are key inputs into the valuation model.

As San Leon is not the operator of this licence, the Group does not have the ability to commission an independent technical evaluation of the licence area. Therefore, the directors believe that the NSAI report, when coupled with other information released by Providence and adapted for certain changes in the market, gives the basis for the best estimate of fair value at year end.

The fair value movement relates to currency adjustments.

The key information relevant to the fair value of the Barryroe 4.5% net profit interest is as follows:

Valuation technique unobservable inputs and fair value	Significant unobservable inputs	Inter-relationships between the measurement
Third party report prepared by NSAI in July 2013 as released by Providence Resources Plc and internal management assumptions based on a net present value of future cash flows model	• Oil production of 261MM BBL over the life of the field on a successful development of the 2C contingent resources case • Life of field expected to be 24 years • Oil price over the period is US$80/bbl • Discount rate of 25%	The estimated fair value would increase/(decrease) if: • The capital expenditure required to develop the field (decreased)/increased • The oil price per barrel increased/(decreased) • The resource estimates increased/(decreased) or the life of the field increased/(decreased) • US Dollar exchange rate increased/(decreased • The discount rate used increased/(decreased)

(ii) Amedeo Resources plc

In 2013 the Company purchased 71,225,000 ordinary shares in Amedeo Resources plc, a company listed on the AIM Market in London, for a total consideration of €1,329,349. The market value of the shares at 31 December 2014 was €411,494 (2013: €348,767).

(iii) Ardilaun Energy Limited

As part of the consideration for the sale of Island Oil and Gas Limited to Ardilaun Energy Limited (“Ardilaun”). Ardilaun agreed to issue shares equivalent to 15% of the issued share capital of Ardilaun. See note 4 for further details.

Notes to the Financial Statements continued
for the year ended 31 December 2014

18. Inventory

	Group 2014 €	Group 2013 €	**Company 2014 €**	Company 2013 €
Spare parts and consumable	**320,043**	229,978	**–**	–

Spare parts includes drilling equipment and consumables utilised by the Group's seismic services company and will be consumed within 12 months.

19. Trade and other receivables

	Group 2014 €	Group 2013 €	**Company 2014 €**	Company 2013 €
Amounts falling due within one year:				
Trade receivables from joint operating partners	**713,455**	255,531	**375,778**	208,541
Amounts owed by group undertakings	**–**	–	**99,573,074**	90,948,220
VAT and other taxes refundable	**1,137,977**	5,699,400	**21,500**	94,188
Other debtors	**7,918,678**	3,584,467	**4,168,281**	3,252,582
Director loan (note 32)	**–**	2,178,231	**–**	1,258,546
Prepayments and accrued income	**574,229**	1,498,808	**2,563,980**	286,527
	10,344,339	13,216,437	**106,702,613**	96,048,60

20. Other financial assets

	Group 2014 €	Group 2013 €	**Company 2014 €**	Company 2013 €
Restricted cash at bank	**1,335,361**	6,274,202	**182,243**	4,751,470

In 2013, restricted cash at bank included €4,751,470 in support of the abandonment liabilities in respect of Seven Heads Gas Fields. In 2014, this cash was transferred to Ardilaun Energy Limited as part of the sale of the Irish assets.

Restricted cash at bank at 31 December 2014 includes deposit accounts held in support of bank guarantees required under the Moroccan exploration licences, Zag and Tarfaya held by the Group.

21. Cash and cash equivalents

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Cash and cash equivalents	**1,808,715**	11,420,968	**1,439,122**	7,789,260

Included in the Group's cash and cash equivalents at 31 December 2013 was €3,966,486 received from the share placing in September 2013 and held in a client account with the Company's Stockbroker. During the year, certain broker invoices were discharged from the funds in this account and the balance was remitted to a Company bank account.

22. Trade and other payables

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Current				
Trade payables	**9,246,411**	2,649,703	**2,286,611**	321,561
Amounts owed to group undertaking	**–**	–	**28,042,351**	27,198,684
PAYE / PRSI	**518,994**	312,116	**138,297**	72,159
Other creditors	**198,697**	1,627,775	**118,845**	738,716
Accruals and deferred income	**999,630**	1,638,617	**3,368,695**	1,228,283
	10,963,732	6,228,211	**33,954,799**	29,559,403

23. Derivative

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Non-Current				
Derivative	**4,017**	208,434	**4,017**	208,434
	4,017	208,434	**4,017**	208,434

In 2012 San Leon issued 11m and 11.125m warrants to a non-employee with an exercise price of £0.11 for a period of 3.9 years and 4.6 years respectively. The warrants replaced instruments previously issued in connection with a convertible loan note issued to the Company. The fair value of the warrants issued has been calculated using the Black-Scholes Model.

Valuation technique	Significant unobservable inputs	Inter-relationships between the unobservable inputs and fair value measurement
Black-Scholes Model	• Stock asset price of £0.0118 • Option strike price of £0.11 • Average maturity of 2.25 years • Risk-free interest rate of 1.25% • Share price volatility of 65%	The estimated fair value would increase/(decrease) if: • The share price increased/(decreased) • Sterling exchange rate increased/(decreased) • The risk free interest rate increased/(decreased)

24. Loans and borrowings

	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
Current				
YA Global Masters SPV Limited (i)	3,343,056	–	3,343,056	–
Palomar Holdings Limited (ii)	2,470,966	–	2,470,966	–
	5,814,022	–	5,814,022	–

(i) In 2014 the Company received a loan of $3,200,000 from YA Global Masters SPV Limited with an arrangement fee of $800,000.

(ii) In 2014, the Company received a loan of $3,000,000 including interest. The loan was repaid post year end.

25. Provisions for liabilities

Group	Total €
At 1 January 2014	1,397,094
Exchange rate adjustment	60,403
At 31 December 2014 – current	**1,457,497**

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

26. Share capital – Group and Company

	2014 €	2013 €
Authorised equity		
3,100,000,000 (2013: 3,100,000,000) Ordinary shares of €0.05 each	**155,000,000**	155,000,00

Issued, called up and fully paid:

	Number of ordinary shares	Share capital €	Share premium €
January 2014	2,531,218,948	126,560,947	164,232,712
Issue of shares to non-controlling interest	3,817,224	190,861	334,742
Issue of shares on exercise of warrants and options	536,508	26,825	5,859
Expenses directly relating to share placing in 2013	–	–	(473,715)
At 31 December 2014	**2,535,572,680**	**126,778,633**	**164,099,598**

During 2014, the Company issued 3,817,224 €0.05 Ordinary Shares at GBP £0.1175 in relation to conversion notices issued by the holders of exchangeable shares issued under the terms of the acquisition of Realm Energy International Corporation.

During 2014, the Company issued 536,508 €0.05 Ordinary shares at £0.0487 in respect of the exercise of options.

27. Reserves and non-controlling interest

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

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

Share based payments reserve
The share based payments reserve comprises the fair value of all share options which have been charged over the vesting period, net of the amount relating to share options which have expired, been cancelled and have vested.

Non-controlling interest
The non-controlling interest relates to shares to be issued by San Leon Energy plc to the holders of exchangeable shares issued as part consideration for the acquisition of Realm Energy International Corporation in 2011. The exchangeable shares do not have any voting or dividend rights and are exchangeable on a one for one basis into ordinary shares of San Leon Energy plc.

Available for sale fair value reserve
The available for sale fair value reserves comprises fair value adjustments arising on Group's available for sale financial assets (note 17).

28. Share Based Payments

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

Each share option converts into one ordinary share of San Leon Energy Plc on exercise and options do not carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The options vest in tranches subject to the achievement of certain service and non-market performance conditions. Market conditions in relation to the achievement of share price trading levels also apply in the case of certain options granted to the directors, further details of which are set out in the Directors' Report.

During the first quarter of 2013, this scheme was replaced by a more formal Share Option Plan, which will govern all future awards of share options made by San Leon. All employees, and certain directors and consultants, may from time to time be eligible to receive a discretionary bonus to be awarded in the form of options over San Leon Ordinary shares. Historic options in respect of San Leon shares will continue to be governed by the terms and conditions set out in the historic share based payments scheme.

The Group's equity share options are equity settled share based payments as defined in IFRS 2: Share Based Payments. The total share based payment charge for the year has been calculated based on grant date fair value obtained using an option pricing model with a discount for market conditions applied based on a Monte Carlo simulator analysis where appropriate. The charge for the year is €1,211,407 (2013: €3,821,953).

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

	2014		2013	
	Number of options/ warrants	**Weighted average exercise price**	Number of options/ warrants	Weighted average exercise price
Balance at beginning of the financial year	**193,021,006**	**£0.153**	184,389,731	£0.153
Granted during the year	**500,000**	**£0.067**	59,633,119	£0.067
Cancelled during the financial year	**–**	**£0.051**	(32,355,229)	£0.051
Exercised during the financial year	**(536,508)**	**£0.049**	–	–
Expired during the financial year	**(2,510,611)**	**£0.217**	(18,646,615)	£0.217
Balance at end of the financial year	**190,473,887**	**£0.127**	193,021,006	£0.153
Exercisable at end of the financial year	**113,797,230**	**£0.124**	114,243,096	£0.138

The range of exercise prices of outstanding options / warrants at year end is £0.04-£0.62 (2013: £0.04 - £0.62).

The weighted average remaining contractual life for options / warrants outstanding at 31 December 2014 is 2.96 years (2013: 3.95 years).

The weighted average share price when options / warrants were exercised during the year ended 31 December 2013 was £0.094.

The following table lists the fair value of options granted and the inputs to the models used to calculate the grant date fair values of awards granted in 2014 and 2013:

	2014	2013
Weighted average fair value of options granted during year	**£0.003**	£0.042
Weighted average share price of options at date of grant	**£0.040**	£0.077
Dividend yield	**0%**	0%
Expected volatility	**65%**	65%
Risk-free interest rate	**1.1%–1.7%**	1.1%–1.7%
Expected option life	**7–10 years**	7–10 years
Expected early exercise %	**10%**	10%
Model used	**Black- Scholes Model**	Binomial/Monte Carlo

The expected life used in the model is based on the expectation of management including the probability of meeting market conditions (where applicable) attaching to the option and behavioural considerations and is not necessarily indicative of exercise patterns that may occur. Expected volatility is based on an analysis of the historical volatility of San Leon Energy Plc shares and comparable listed entities. The fair value is measured at the date of grant.

29. Acquisitions

There were no acquisitions in 2014.

Details of 2013 acquisitions are detailed below:

(i) Acquisition of Aurelian Oil & Gas Plc

San Leon Energy Plc acquired the entire issued and to be issued share capital of Aurelian Oil & Gas Limited (formerly Aurelian Oil & Gas PLC) ("Aurelian") by means of a Court-sanctioned scheme of arrangement under Part 26 of the English Companies Act 2006, effective on 25 January 2013, for €62m. Prior to the acquisition, Aurelian was listed on the London Stock Exchange's AIM market, with exploration assets based predominantly in Poland and Romania.

The acquisition of Aurelian brought with it cash and a range of assets, together with an established technical team. The Company has reduced costs through economies of scale.

Under the terms of the acquisition, each Aurelian shareholder was entitled to receive 1.3 San Leon shares for each Aurelian share they held.

29. Acquisitions continued

The fair values of the assets and liabilities acquired are set below:

	Acquisition book value €	Fair value adjustment €	Acquisition fair value €
Exploration and evaluation assets	22,860,065	–	22,860,065
Property, plant and equipment	653,659	(400,000)	253,659
Equity accounted investments	5,080,327	–	5,080,327
Current assets excluding cash and cash equivalents	4,268,231	–	4,268,231
Cash and cash equivalents	31,897,712	–	31,897,712
Trade and other payables	(2,032,458)	(262,500)	(2,294,958)
Net assets acquired	62,727,536	(662,500)	62,065,036
Consideration paid:			
Issue of ordinary shares of San Leon Energy			61,128,617
Contingent consideration – replacement share options relating to past service (ii)			936,419
Total consideration (i)			62,065,036

(i) Excludes acquisition costs of €225,000.

(ii) Under the terms of the acquisition, San Leon agreed to grant Aurelian option-holders and Aurelian staff with pending awards replacement share options over San Leon shares, on terms no less favourable than under the historical Aurelian unapproved share option plan. The fair value is calculated using the Black Scholes model and assumptions consistent with those used in calculating the fair value of share based payments as outlined in note 28. The fair value charge recognised as part of the consideration reflects the extent to which the options awarded reflect past service by the relevant individuals. The portion of the fair value charge for options granted by San Leon that is related to a future service requirement in accordance with the vesting terms of the options will be recognised as a post acquisition charge in accordance with the requirements of IFRS 3.

	€
Net cash flow arising on acquisition	31,897,712

(ii) Acquisition of Talisman Energy Polska Sp. Z.o.o.

In May 2013, San Leon signed a share purchase agreement with Talisman, whereby San Leon Energy B.V. acquired the entire issued share capital of Talisman's Polish subsidiary, Talisman Energy Polska Sp. z o.o. ("Talisman Polska"). In consideration, San Leon Energy B.V. assumed all assets and obligations of Talisman Polska. As a result of this transaction, San Leon regained 100% ownership of the Gdansk W and Braniewo S concessions and increased its interest to 50% on the Szczawno concession.

In February 2010, Talisman signed a farm-in agreement to earn a 30% working interest in the three concessions in return for performing certain commitments, including drilling one well in each concession, with the option to increase its interest to 60% by drilling a further well in each concession.

Prior to the completion of the transaction, Talisman had drilled one vertical well in each concession at a combined cost of approximately €27.8 million as detailed on the table below. Talisman had carried San Leon on all expenses related to the drilling of these three wells.

A summary of the book value of assets and liabilities acquired at the date of the transaction and the gain recognised by San Leon on the transaction is set out below:

	Book value at transaction date €	Asset/ (liability) value recognised €
Exploration and evaluation assets	27,863,672	–
Inventory of drilling equipment, tubing and casing	2,344,090	–
Cash and cash equivalents	50,612	50,612
Trade and other receivables	603,344	603,344
Trade and other payables	(131,790)	(323,174)
Net assets acquired in Talisman Polska	30,729,928	330,782
Cash received by San Leon		3,898,495
Gain arising on acquisition		**4,229,277**

The Directors considered the appropriate accounting treatment to be applied to the above transaction in 2013 and formed the view that the acquisition of Talisman Polska did not fulfil the criteria to be treated as a business combination in accordance with IFRS 3: Business Combinations. Accordingly no asset value on the acquisition was recognised in respect of the Exploration and Evaluation assets or inventory received on the transaction. This was due to the Group's existing policy whereby Exploration and Evaluation Assets and inventory are initially recognised at cost to the Group, with the cost deemed to be nil on this transaction as no consideration is payable by San Leon on the takeover of Talisman Polska.

30. Commitments and contingencies

(a) Operating leases

Commitments under operating leases are as follows:

	Property €	Motor vehicles €	Total €
Payable:			
Within one year	1,023,988	25,316	1,049,304
Between one and five years	3,639,960	22,705	3,662,665
Over five years	1,314,758	–	1,314,758
	5,978,706	**48,021**	**6,026,727**

(b) Exploration, evaluation and development activities

The Group has commitments of approximately €11m (2013: €14m) in the year ended 31 December 2015 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

30. Commitments and contingencies continued

(c) Avobone arbitration

As announced on 11 April 2013, certain subsidiaries of the Company (Aurelian Oil & Gas Limited, Aurelian Oil & Gas Sp.z o.o, Energia Zachód Holdings Sp. z o.o. and AOG Finance Limited, together referred to as the "Company") received notice from the Secretariat of the International Court of Arbitration of the International Chamber of Commerce ('ICC') confirming the submission of a Request for Arbitration ("Request") by Avobone N.V. and Avobone Poland B.V. (together, "Avobone") in relation to the purchase by Aurelian Oil & Gas Limited ("Aurelian"), San Leon's subsidiary, of Avobone's 10% shares and loans in Energia Zachód Sp. z o.o. – the titleholder of the Siekierki asset.

At the time the Company reviewed the Request with counsel and believed the claims to be substantially without merit. The Company contested these claims robustly at the hearing of the Court of Arbitration and believed it had a material advantage in the case.

The findings of the Court of Arbitration were received by the Company on 23 May 2015, and provide for a total payment by Aurelian of approximately £13 million including costs. Two-thirds of the main award relates to the repayment of a loan provided by Avobone to Aurelian. In Aurelian's view, this loan was a standard industry-practice mechanism that was used to fund Avobone's share of the drilling and other field-related costs in a tax-efficient manner, and should only have been repayable had Avobone exited after the field had generated sufficient cashflow to repay the loan. At the time of Avobone's exit in early 2013, the field had yet to generate cashflow.

Following consultation with counsel, the Company remains convinced that Avobone's case is substantially without merit, and that the findings of the Court of Arbitration constitute a "serious procedural irregularity", as set forth by the UK Arbitration Act 1996 for challenging an arbitral award, and therefore provides grounds for appeal. The Company has commenced the appeal process and has made an application for the correction and interpretation of the findings of the Court of Arbitration.

(d) Security for loans

Palomar Holdings Limited have a charge over the assets of the Company's subsidiary Novaseis Sp.z o.o as security for the debt outlined in note 24. This charge has been released on repayment of the loan post year end.

31. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 €	2013 €	**2014 €**	2013 €	**2014 €**	2013 €
Exploration and evaluation assets	**–**	–	**(9,329,447)**	(9,329,447)	**(9,329,447)**	(9,329,447)
Financial assets – Net Profit Interest	**–**	–	**(13,306,607)**	(11,222,410)	**(13,306,607)**	(11,222,410)
Tax losses recognised	**10,437,059**	11,222,410	**–**	–	**10,437,059**	11,222,410
	10,437,059	11,222,410	**(22,636,054)**	(20,551,857)	**(12,198,995)**	(9,329,447)

Unrecognised deferred tax asset

	2014 €	2013 €
Tax losses	**7,425,275**	13,872,204
Capitalised expenditure	**31,007,602**	46,198,612
	38,432,877	60,070,816

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group can utilise these losses. The losses have no expiry date with the exception of approximately €1,729,920 (2013: €1,295,000) of tax losses in Canada which expire from years 2028 to 2033.

32. Related party transactions

Mr. Oisín Fanning
San Leon holds an option to acquire a property at market value from Mr. Fanning. The option has a remaining life of twelve years and the option fee of £300,000 is refundable when the Company either exercises or terminates the option. Mr. Fanning was paid £96,000 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.

At 1 January 2014, Mr Fanning owed San Leon €1,258,549 in respect of a short term loan advanced to him by San Leon Energy plc. During the year the maximum amount outstanding on the loan was €1,560,445. A summary of the movement in the loan balance is set out below:

Mr. Fanning has personally guaranteed the loan from Palomar Holdings Limited referred to in Note 24.

	Total €
At 1 January 2014	1,258,549
Advances during year	354,259
Interest on loan	23,683
Repayments during the year	(1,636,491)
At 31 December 2014	–

In addition to the loan above, in August 2013, Mr Fanning received an advance of salary for the period 1 August 2013 to 31 July 2014 in the amount of €1,158,079. The advance was made by San Leon Services Limited, a subsidiary of the company. At 31 December 2014, the remaining prepaid element of Mr. Fanning's salary was nil (2013: €919,682).

Green Corporate Finance Limited
San Leon Energy Plc and Green Corporate Finance Limited have a common director, Daniel Martin.
San Leon have a legal services agreement with Green Corporate Finance Limited who were paid €150,936 in 2014 (2013: €129,607).

Surplan Limited
San Leon Energy Plc and Surplan Limited have a common director, Raymond King. San Leon have a consultancy agreement with Surplan Limited who were paid €143,952 by the Company in 2014 (2013: €210,347).

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

	2014 €	2013 €
Salary and emoluments	**1,946,936**	2,150,921
Fees	**231,328**	602,954
Pension	**96,000**	110,017
Share based payment expense	**533,283**	1,669,476
Consultancy services	**294,888**	–
	3,102,435	4,533,368

33. Financial instruments and financial risk management

Company

Transactions with subsidiaries

Transactions between San Leon Energy Plc ("the Company") and its subsidiaries, which are related parties, have been eliminated on consolidation. At 31 December 2014, the Company is owed €99,573,074 (2013: €90,948,220) by its subsidiaries in respect of funds advanced to and expenses discharged by the Company on their behalf. The Company owes €28,042,351 (2013: €27,198,684) to subsidiaries in funds received and services provided by Group companies.

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

The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The Group and Company's financial assets and liabilities are classified as:

- Loans and receivables: all trade and other receivables, amounts due to and from subsidiaries and cash and cash equivalents as disclosed in the statement of financial position
- Available for sale: financial assets - net profit interest and quoted investments as described in Note 16
- Liabilities at amortised cost: all trade and other payables and loans and borrowings as disclosed in the statement of financial position

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

(a) Currency risk

The Group is exposed to foreign currency risk on transactions denominated in a currency, other than the relevant functional currency of the entities of the Group which consist of Euro, Sterling, US Dollars, Polish Zloty, Moroccan Dirhams Romanian Lei and Canadian Dollars. The Euro is the presentation currency for financial reporting and budgeting. The Group manages its exposure by matching receipts and payments in the same currency and monitoring the residual net cash position. During the years ended 31 December 2014 and 2013, the Group did not utilise either forward currency contracts or other derivatives to manage foreign currency risk.

At 31 December 2014, the Group's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €	Denominated in US$ €	Denominated in PLN €	Denominated in CAD €	Denominated in LEI €
Trade and other receivables (note 19)	51,338	1,647,311	1,132,733	4,845	7,353
Trade and other payables (note 22)	(1,279,134)	(446,312)	(3,868,489)	(318,094)	(97,989)
Provisions (note 25)	–	–	–	(1,457,497)	–
Loans and borrowings (payable within one year) (note 24)	–	(5,814,022)	–	–	–
Cash and cash equivalents (note 21)	3,071	919,010	219,141	5,559	129,724
Other financial assets (note 20)	–	1,153,118	182,243	–	
Total 2014	**(1,224,725)**	**(2,540,895)**	**(2,334,372)**	**(1,765,187)**	**39,088**
Total 2013	6,203,827	3,978,773	(10,782,107)	(1,473,504)	3,266,231

At 31 December 2014, the Company's principal exposure to foreign currency risk was as follows:

	Denominated in GBP£ €	Denominated in US$ €	Denominated in PLN €	Denominated in CAD €
Trade and other receivables (note 19)	1,347,520	–	10,222,451	918,174
Trade and other payables (note 22)	(25,786,381)	(3,668,510)	(313,895)	(292,732)
Loans and borrowings (payable within one year) (note 24)	–	(5,814,022)	–	–
Cash and cash equivalents (note 21)	403	913,606	57	184
Financial assets	–	–	182,243	–
Total 2014	**(24,438,458)**	**(8,568,926)**	**10,090,856**	**625,626**
Total 2013	(16,052,677)	2,025,556	42,011,074	(3,615,368)

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

	2014 Average rate	**2014 Closing rate**	2013 Average rate	2013 Closing rate
Sterling	**0.8061**	**0.7789**	0.8493	0.8337
US Dollars	**1.3285**	**1.2141**	1.3281	1.3791
Polish Zloty	**4.1843**	**4.2732**	4.1975	4.1543
Canadian Dollars	**1.4661**	**1.4063**	1.3684	1.4671
Romanian Lei	**4.4437**	**4.4828**	4.4195	4.4710

Sensitivity analysis
If the Euro increased by 1% in value against the above currencies, the Group's profit for the year would increase and equity at year end would decrease by approximately €24,000. A 1% decrease in the Euro value would have an equal but opposite effect.

If the Euro increased by 1% in value against the above currencies, the Company's loss for the year would increase and equity at year end would decrease by approximately €254,000. A 1% decrease in the Euro value would have an equal but opposite effect.

(b) Credit risk
Credit risk refers to the risk that any counter-party will default on its contractual obligations resulting in financial loss to the Group.

The Group and Company's financial assets (excluding Financial Assets - Net Profit Interest, see (f) Fair values) comprise trade and other receivables and cash and cash equivalents. Due to the nature of trade and other receivables, there is no significant exposure to credit risk on these assets. The credit risk on amounts receivable from joint operating partners is managed by agreeing budgets in advance with partners and where appropriate collecting any material share of exploration costs from partners in advance of completing the exploration work programme.

The credit risk on cash and cash equivalents is considered limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Group also holds limited funds for day to day operational purposes with Irish banking institutions which are subject to guarantee by the Irish government. The Group and Company's maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents in its consolidated and company statement of financial position. The Group does not expect any counterparty to fail to meet its obligations. None of the Group and Company's financial assets are past due and no impairments have been recorded.

33. Financial instruments and financial risk management continued

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

	2014 €	2013 €
Euro	**15,518**	2,668,313
Sterling	**3,071**	6,697,097
US Dollar	**887,974**	952,089
Polish Zloty	**219,141**	504,239
Canadian Dollar	**5,559**	24,701
Moroccan dirhams	**547,688**	536,114
Romanian Lei	**129,724**	38,246
Other	**40**	169
	1,808,715	11,420,968

Cash deposits held by the Company total €1,439,122 at the reporting date (2013: €7,789,260), comprised of €22,817 in Euro, €403 in Sterling, €867,972 in US Dollars, €547,688 in Moroccan Dirhams and other €242.

(c) Liquidity risk management

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are produced to identify the liquidity requirements of the Group. Surplus cash is placed on deposit in accordance with limits and counterparties agreed by the Board, with the objective to maximise return on funds whilst ensuring that the short term cash requirements of the Group are maintained.

All cash and cash equivalents are due within three months. All trade and other receivables and trade and other payables are due within three months.

The Group's financial liabilities at 31 December 2014 are as follows:

Group	Less than one year €	One to two years €	Two to five years €	Total €
Trade and other payables and Derivative (note 22 and note 23)	10,967,749	–	–	10,967,749
Loans and borrowings (note 24)	5,814,022	–	–	5,814,022
	16,781,771	–	–	16,781,771

Company	Less than one year €	One to two years €	Two to five years €	Total €
Trade and other payables and Derivative (note 22 and note 23)	33,958,816	–	–	33,958,816
Loans and borrowings (note 24)	5,814,022	–	–	5,814,022
	39,772,838	–	–	39,772,838

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

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

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

(e) Capital risk management
The Group and Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group and Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the consolidated statement of changes in equity together with long term borrowings.

Shareholders have granted authority to the Directors to dis-apply statutory pre-emption rights in respect of a rights issue or any issue of equity securities for cash up to an aggregate amount of ten per cent of the nominal value of the Company's issued share capital. The power will expire on the earlier of 28 December 2015 or the date of the annual general meeting of the Company in 2015.

San Leon has entered into a Standby Equity Distribution Agreement ("SEDA") with YA Global Master SPV Ltd ("Yorkville"), an investment fund managed by Yorkville Advisors LLC, for a GBP15 million equity line of credit. Under the terms of the agreement San Leon may draw down funds from time to time, at its sole discretion, in exchange for the issue of new shares in the capital of the Company. The term of this facility has been extended to 31 October 2014. The shares issued by the company will be priced at a 6% discount to the prevailing market price at the time of the draw down. The company may also set a minimum price for each draw down to ensure the company receives an acceptable price. No draw down of funds has occurred to date on this facility.

(f) Financial assets and liabilities by category
As set out in the statement of accounting policies, Financial assets and liabilities recognised at fair value are analysed between those based on quoted prices in the active markets for identical assets or liabilities (Level 1, those involving inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly (Level 2); and those involving inputs for the assets or liabilities that are not based on observable market data (Level 3).

33. Financial instruments and financial risk management continued

The following table sets out the carrying value of all the financial assets and liabilities held at 31 December 2014:

Group	Carrying amount 31 December 2014 €	Level 1 31 December 2014 €	Level 2 31 December 2014 €	Level 3 ^ 31 December 2014 €
Financial assets				
Barryroe NPI (Note 17)	42,123,052	–	–	42,123,052
Quoted Shares (Note 17)	411,492	411,492	–	–
Unquoted shares (Note 17)	5,360,034	–	5,360,034	–
Trade receivables* (Note 19)	713,455	–	–	–
Other financial asset* (Note 20)	1,335,361	–	–	–
Cash and Cash equivalents* (Note 21)	1,808,715	–	–	–
Other Debtors* (Note 19)	7,918,678	–	–	–
Financial liabilities				
Derivative (Note 23)	(4,017)	–	–	(4,017)
Trade payables* (Note 22)	(9,246,411)	–	–	–
Other creditors (Note 22)	(198,697)	–	–	–
At 31 December 2014	**50,221,662**	**411,494**	**5,360,034**	**42,119,035**

Company	Carrying amount 31 December 2014 €	Level 1 31 December 2014 €	Level 2 31 December 2014 €	Level 3 ^ 31 December 2014 €
Financial assets				
Quoted Shares (Note 17)	411,492	411,492	–	–
Unquoted shares (Note 17)	5,360,034	–	5,360,034	–
Trade receivables* (Note 19)	375,778	–	–	–
Other financial asset* (Note 20)	182,243	–	–	–
Cash and Cash equivalents* (Note 21)	1,439,122	–	–	–
Other Debtors* (Note 19)	4,168,281	–	–	–
Financial liabilities				
Derivative (Note 22)	(4,017)	–	–	(4,017)
Trade payables* (Note 21)	(2,286,611)	–	–	–
At 31 December 2014	**9,646,322**	**411,494**	**5,360,034**	**(4,017)**

* The Group has not disclosed the fair value of financial instruments such as short term receivables and payables, as it is considered that their carrying amounts are a reasonable approximation of their fair values.
^ For detailed disclosures on the valuation techniques of level 3 disclosures see the note referenced above.

During the period ended 31 December 2014, there were no significant changes in the business or economic circumstances that affect the fair value of financial assets and liabilities, no reclassifications and no transfers between levels of the fair value hierarchy used in measuring the fair value of the financial instruments.

(g) Hedging
At 31 December 2014 and 31 December 2013, the Group and Company had no outstanding contracts designated as hedges.

34. Subsequent events

Avobone arbitration
Please see Note 30 for further details on the Avobone arbitration.

Proposed Conditional Placing and Share Capital Reorganisation
On 1 June 2015 the Company announced a major fundraising pursuant to a proposed conditional placing (the "Placing") of New Ordinary Shares in the Company. The Placing is subject to, inter alia:

- shareholder approval at an Extraordinary General Meeting ("EGM") to be held on 15 July 2015;
- the Company undergoing a Share Capital Reorganisation consisting of subdivision and consolidation of the issued Existing Ordinary Shares resulting in New Ordinary Shares with a nominal value of €0.01 each to be approved at the EGM; and
- the granting of a Rule 9 Waiver by the Irish Takeover Panel in relation to Tosca's subscription as described below. Pursuant to the Placing, the Company has conditionally agreed to raise £29 million from existing and new shareholders by conditionally agreeing to place 36,250,000 New Ordinary Shares at a price of 80 pence per share (equivalent to 0.8p per Existing Ordinary Share before the Share Capital Reorganisation described below). The Placing will therefore effect an increase in the issued share capital (adjusted for the Share Capital Reorganisation) of approximately 143%.

Toscafund Asset Management LLP ("Tosca") has entered into a conditional placing commitment for the amount of £16 million as part of the Placing. In addition to its current shareholding of approximately 22% in the Company, this investment would take Tosca's total shareholding after the Placing to approximately 41.5%. An application for a Rule 9 Waiver in relation to Tosca's proposed shareholding was made to the Irish Takeover Panel and the waiver was confirmed on 9 June 2015, subject to approval at the EGM.

Operational updates
The Company has announced a number of operational updates which are explained in the Chairman's Review.

35. Approval of Financial Statements

The Financial Statements were approved by the Board on 29 June 2015.

Corporate Information

Directors	Oisín Fanning (Chairman) Paul Sullivan (Managing Director) Jeremy Boak (Non-Executive Director) Raymond King (Non-Executive Director) Daniel Martin (Non-Executive Director) Piotr Rozwadowski (Non-Executive Director)	
Registered Office	First Floor Wilton Park House Wilton Place Dublin 2	
Secretary	Raymond King FCIS	
Auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2	
Principal Bankers	Allied Irish Bank 40/41 Westmoreland Street Dublin 2	
Solicitors	Whitney Moore Solicitors Wilton Park House Dublin 2	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Nomad	Westhouse Securities 110 Bishopsgate London EC2N 4AY	
Joint Stockbrokers	Macquarie Capital Advisors Ropemaker Place 28 Ropemaker Street London EC2Y 9HD finnCap 60 New Broad Street London EC2M 1JJ	Brandon Hill 1 Tudor Street London EC4Y 0AH
Registrars	Computershare Investor Services (Ireland) Limited, Heron House Corrig Road Sandyford Industrial Estate Dublin 18	
Public Relations	Vigo Communications One Berkeley Street London W1J 8DJ	
Registered Number	237825	

Glossary

2C	Best estimate of Contingent Resources
2D	Two dimensional seismic
3D	Three dimensional seismic
ADR	American depositary receipt
AIM	The London Stock Exchange's AIM market
AIM Rules	AIM Rules for Companies
Aurelian	Aurelian Oil & Gas Limited (formerly Aurelian Oil & Gas PLC)
BCF or bcf	Billion cubic feet
B.V.	Dutch private limited company
BVI	British Virgin Islands
Cairn	Cairn Energy PLC
Celtique	Celtique Energy Poland Sp. z o.o.
CPR	Competent Person's Report
Delta	Delta Hydrocarbons B.V.
DFIT	Diagnostic fracture injection test
E&P	Exploration and Production
Enefit	Enefit Outotec Technology OÜ
Genel	Genel Energy PLC
GmbH	German company with limited liability
Gold Point Energy	Gold Point Energy Corp.
Group	San Leon and its subsidiaries
Island Oil & Gas	Island Oil & Gas PLC
IVE	In-situ vapour extraction
JV	Joint Venture
km	Kilometres
LLP	Limited liability partnership
Longreach	Longreach Oil & Gas Ventures Ltd
Ltd or limited	A private limited company incorporated under the laws of England and Wales, Scotland, certain Commonwealth countries and Ireland
m	Metres
MD	Measured depth
MMBOE or mmboe	Million barrels of oil equivalent
mmbbl	Million barrels
Nomad	A company that has been approved as a nominated advisor for AIM by the London Stock Exchange
NovaSeis	NovaSeis Sp. z o.o.
NPV	Net present value

OMV	OMV (Ireland) Killala Exploration GmbH
OTCQX	OTCQX International is the premier market tier for non-US companies that trade over-the-counter and are listed on a qualified foreign stock exchange
PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A.
PLC or S.A.	A publicly held company
Premier Oil	Premier Oil PLC
Prospectiuni	Prospectiuni S.A.
Providence	Providence Resources PLC
PSE Kinsale Energy	PSE Kinsale Energy Limited
Realm or Realm Energy	Realm Energy International Corporation
San Leon or the Company	San Leon Energy PLC
SEDA	Standby Equity Distribution Agreement
Serica	Serica Energy PLC
Sp. z o.o.	Polish limited liability company
Sp. z o.o. sp.k	Polish LLP
SPV	Special purpose vehicle
Sunningdale Oils	Sunningdale Oils (Ireland) Limited
Super Nova	Super Nova Resources Inc.
Talisman	Talisman Energy Inc.
TCF or tcf	Trillion cubic feet
United Oilfield Services	United Oilfield Services Sp. z o.o.
Valhalla Oil & Gas	Valhalla Oil & Gas AS
Yorkville	YA Global Master SPV Ltd

Reserves

Proved	Reserves which have a 'reasonable certainty' of being recovered
Probable	Probable reserves are volumes that are defined as 'less likely to be recovered than proved, but more certain to be recovered than possible reserves'
Possible	Possible reserves are reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves
Gross	Reserves before deduction of royalty
Net	Reserves after royalty plus royalty interest
1P	Proved
2P	Proved plus probable
3P	Proved plus probable plus possible

Conversion

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To convert from	To	Multiply by
mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

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