Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information for the purposes of Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

30 September 2021

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

San Leon, the independent oil and gas production, development and exploration company focused on Nigeria, today announces its unaudited interim results for the six months ended 30 June 2021. This includes an update on its indirect interest's in OML 18, a world-class oil and gas block located onshore in Nigeria and Energy Link Infrastructure (Malta) Limited ("ELI"), the company which owns the Alternative Crude Oil Evacuation System ("ACOES") project.

Highlights

Corporate

- On 24 June 2021 San Leon announced a conditional investment of US$2.0 million, as well as an option to conditionally invest a further US$6.5 million, in the equity of Energy Link Infrastructure (Malta) Limited ("ELI"), the company which owns the Alternative Crude Oil Evacuation System ("ACOES") project. This transaction is awaiting final conditions precedents to complete.
- Separately and in addition to the aforementioned announcement, on 24 June 2021, San Leon confirmed that it is in preliminary discussions with Midwestern Oil and Gas Company Limited ("Midwestern") about acquiring Midwestern's indirect interest in the OML 18 oil and gas block located onshore in Nigeria ("OML 18"). Any transaction would involve San Leon acquiring the outstanding shares not already owned by San Leon in relation to Midwestern Leon Petroleum Limited ("MLPL") from Midwestern.
    - The acquisition by San Leon of the outstanding shares in MLPL not already owned by San Leon would constitute a reverse takeover under rule 14 of the AIM Rules. San Leon is not contemplating acquiring Midwestern itself.
    - In accordance with rule 14 of the AIM Rules, the Company's ordinary shares were suspended from trading on AIM on 24 June 2021. The Company's ordinary shares will remain suspended until such time as either an AIM admission document is published or an announcement is released confirming that the reverse takeover in contemplation is not proceeding.
- On 7 July 2021 San Leon agreed with MLPL, Midwestern and Martwestern to a conditional payment waiver in respect of the repayment of approximately US$32 million of MLPL's Loan Notes and interest that fell due on 5 July 2021 (the "Conditional Payment Waiver"). The Conditional Payment Waiver expired at the end of August 2021 or, if sooner, the termination of discussions or the signing of an agreement to effect the Potential Transaction, and interest will accrue on this instalment of the Loan Notes over this period. The sums to which the Conditional Payment Waiver relates (and those falling due within 30 days after the expiry of the Conditional Payment Waiver) will be payable 90 days after such expiry, save for, *inter alia*, if there is an event of default.
    - On 20 September 2021 San Leon agreed an extension of the Conditional Payment Waiver to the end of September 2021. The Board is in discussions with MLPL, Midwestern and Martwestern in relation to a further extension of the Conditional Payment Waiver.
- On 12 July 2021 heads of terms were signed in respect of, *inter alia*, the proposed reorganisation to consolidate Midwestern's holdings in the Company and MLPL into a single holding in the Company (the "Potential Transaction").
- Board appointment process previously announced completed with the appointment of John Brown as Independent Non-Executive Director and Chair of the Audit and Risk Committee, and Adekolapo Ademola as Non-Independent Non-Executive Director on behalf of Midwestern. Non-Executive Directors, Mark Phillips, Bill Higgs

and Linda Beal, left the Board during 2020 and Alan Campbell has since stepped down from the Board in 2021 as part of a board restructure.

- On 2 August 2021 Lisa Mitchell resigned as its Chief Financial Officer and Executive Director to take up a new role. San Leon has commenced a search for a replacement.

Financial

- Cash and cash equivalents as at 30 June 2021 of US$12.1 million (US$6.8 million is restricted and held in escrow for the Oza transaction) (30 June 2020: US$35.6 million).
- Cash and cash equivalents as at 24 September 2021 was US$10.2 million (US$6.8 million is restricted and held in escrow for the Oza transaction).
- Up to 30 June 2021 US$0.8 million (six months to 30 June 2020: US$41.5 million) has been received by the Company in relation to payments due to San Leon under the MLPL Loan Notes. Since the reporting date a further US$1.1 million of the balance outstanding has been received.
- Profit from continuing operations for the period ended 30 June 2021 was US$8.1 million (six months to 30 June 2020: loss of US$20.3 million). For clarity, this figure does not reflect Loan Notes repayments received.

Operational

- Eroton has informed the Company that it continues to take all appropriate precautions for its operations and people with regards to responding to the Covid-19 pandemic.
- Oil delivered to the Bonny terminal for sales was approximately 6,600 barrels of oil per day (“bopd”) in H1 2021 (25,200 bopd in H1 2020). The figure has been affected by continued losses and downtime associated with the use of the Nembe Creek Trunk Line (“NCTL”), OPEC restrictions, and reduced operations both as a result of the Covid-19 pandemic and also due to prudent capital discipline.
- Gas sales averaged 17.8 million standard cubic feet per day ("mmscf/d") in H1 2021 after downtime (39.1 mmscf/d in H1 2020).
- Production downtime of 3.3% in H1 2021 was caused by third party terminal and gathering system issues. Such issues in the third-party export system are expected to be substantially resolved by the implementation of the new ACOES for the purpose of transporting, storing and evacuating crude oil from the OML 18 export pipeline.
    - The ACOES pipeline will run from within the OML 18 acreage to a dedicated Floating Storage and Offloading ("FSO") vessel in the open sea, approximately 50 kilometres offshore.
    - Oil barging operations from OML 18 to the FSO commenced in late September 2021 (while awaiting availability of the pipeline), with the full ACOES including the pipeline expected by Eroton to be operational in early 2022.
- Pipeline losses by the Bonny Terminal operator have been markedly higher during this year due to lower pipeline throughput (30 June 2021: 65%; 30 June 2020: 20%). The ACOES export Pipeline and FSO system mentioned above are expected to reduce losses significantly.

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

"The Company is well-positioned either to pursue the proposed transaction with Midwestern, or to continue with its existing assets and strategy and await receipt of the remaining substantial Loan Notes repayments. Whichever route is taken, the progress on the ACOES system is expected to be of substantial benefit.”

Enquiries:

San Leon Energy plc
Oisín Fanning, Chief Executive (+ 353 1291 6292)

Allenby Capital Limited (Nominated adviser and joint broker to the Company)
Nick Naylor (+44 203 328 5656)
Alex Brearley (+44 203 328 5656)
Vivek Bhardwaj (+44 203 328 5656)

Panmure Gordon & Co (Joint broker to the Company)
Nick Lovering (+44 207 886 2500)
James Sinclair-Ford (+44 207 886 2500)

Brandon Hill Capital Limited (Joint broker to the Company)
Oliver Stansfield (+44 203 463 5000)
Jonathan Evans (+44 203 463 5000)

Tavistock (Financial Public Relations)
Nick Elwes (+44 207 920 3150)
Simon Hudson (+44 207 920 3150)

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

Chairman's statement

2021 has been an active corporate period for San Leon, with the Company announcing preliminary discussions with its existing partner Midwestern about acquiring their indirect interest in the world-class OML 18 oil and gas block located onshore in Nigeria. This is part of the Company's continued implementation of its strategy to include the delivery of sustainable long-term returns to shareholders and expanding our asset base.

During the period of 2021 to date, US$1.9 million of Loan Note payments have been received. In July 2021 the Company agreed to the conditional payment waiver in respect of the repayment of approximately US$32 million of MLPL's Loan Notes and interest that fell due on 5 July and this has since been extended to the end of September 2021. The Board is in discussions with MLPL, Midwestern and Martwestern in relation to a further extension of the Conditional Payment Waiver. As at the end of June 2021 the balance outstanding of the existing Loan Notes Instrument between San Leon and MLPL was US$93.6 million of principal and interest on a cash receipt basis. Given the discussions regarding the proposed transaction referred to above, the timing of future cashflows will now be dependent on the structure of the reverse takeover and also on the transaction closing. (Please see Note 1 for details).

On the operational side, the first half of 2021 has been as challenging for OML 18 as it has also been for the rest of the industry. I am delighted to note that the first step of the ACOES is now operational, barging oil from OML 18 to the FSO, while the new oil export pipeline is awaited. The ACOES is expected to be a highly useful tool in reducing the substantial pipeline losses and downtime which have hampered cash flow from OML 18 production.

I am pleased to welcome John Brown, who has joined San Leon as Independent Non-Executive Director and who will chair the Audit and Risk Committee.

Financial Review

San Leon generated a profit after tax from continuing operations of US$8.1 million for the six months to 30 June 2021, compared with a loss after tax of US$20.3 million in the six months to 30 June 2020. The majority of this profit is attributable to the profit on equity investments for the six months to 30 June 2021 of US$7.7 million (30 June 2020: loss of US$14.1 million). This profit primarily relates to San Leon's equity investment in MLPL. MLPL has a 100% equity investment in Martwestern Energy, which in turn has a 98% economic interest in Eroton, which holds a 27% working interest in OML 18, Nigeria and is its operator.

The share of profit on equity accounted investments comprises 40% of MLPL's gross results being, administrative costs of US$1.1 million (30 June 2020: US$1.0 million), net finance income of US$4.1 million (30 June 2020: US$1.0 million), a profit on investment of US$21.2 million (30 June 2020: loss of US$31.6 million) and a tax charge of US$4.1 million (30 June 2020: US$3.7 million).

Revenue for the six months to 30 June 2021 was US$nil, compared with US$nil for the six months to 30 June 2020.

Administrative costs decreased to US$5.9 million for the six months to 30 June 2021 (30 June 2020: US$7.7 million).

Finance expense of US$0.1 million for the six months to 30 June 2021 (30 June 2020: US$0.1 million) relates to interest on obligations for leases.

Finance income of US$8.2 million (30 June 2020: US$7.8 million) is substantially interest income on the US$174.5 million Loan Notes and ELI Loan Notes.

The Expected Credit Loss ("ECL") provision has increased by US$0.8 million (30 June 2020: a credit of US$5.9 million).

The tax charge for the six months to 30 June 2021 is US$0.4 million (30 June 2020: US$0.8 million) predominantly relating to the decrease in the fair value of the Barryroe Net Profit Interest (“NPI”) of US$1.1 million.

Outlook

San Leon continues to believe in the value inherent in OML 18, as evidenced by the proposed transaction with Midwestern. This would be a significant further step in our growth strategy. The ACOES is expected to help to unlock that strategy, and the beginning of barging operations signals the beginning of that phase of development.

San Leon Energy plc

Consolidated income statement
for the six months ended 30 June 2021

	Notes	**Unaudited 6 months ended 30/06/21**	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
		US$'000	US$'000	US$'000
Continuing operations				
Revenue from contracts with customers	2	**-**	-	-
Cost of sales		**-**	-	-
Gross profit		**-**	-	-
Share of profit / (loss) of equity accounted investments	9	**7,728**	(14,145)	(1,139)
Administrative expenses		**(5,934)**	(7,719)	(14,918)
Loss on disposal of subsidiaries	3	**-**	(1,044)	(1,044)
Impairment / write off of exploration and evaluation assets	8	**(103)**	(86)	(196)
Other income		**526**	-	-
Profit / (loss) from operating activities		**2,217**	(22,994)	(17,297)
Finance expense	4	**(67)**	(69)	(131)
Finance income	5	**8,242**	7,755	17,442
Expected credit losses	6	**(789)**	(5,857)	(13,692)
Fair value movements in financial assets	11	**(1,070)**	1,645	4,073
Profit / (loss) before income tax		**8,533**	(19,520)	(9,605)
Income tax	7	**(409)**	(815)	(2,248)
Profit / (loss) for the period		**8,124**	(20,335)	(11,853)
Profit / (loss) per share (cent) – total				
Basic profit / (loss) per share		**1.81**	(4.51)	(2.63)
Diluted profit / (loss) per share		**1.81**	(4.51)	(2.63)

Consolidated statement of other comprehensive income
for the six months ended 30 June 2021

	Notes	**Unaudited 30/06/21**	Unaudited 30/06/20	Audited 31/12/20
		US$'000	US$'000	US$'000
Profit / (loss) for the period		**8,124**	(20,335)	(11,853)
Items that may be reclassified subsequently to profit and loss				
Foreign currency translation differences		**(11)**	-	83
Recycling of currency translation reserve on disposal of subsidiaries		**-**	1,044	1,044
Fair value movements in financial assets	11	**-**	-	(194)
Total other comprehensive income		**(11)**	1,044	933
Total comprehensive profit / (loss) for the period		**8,113**	(19,291)	(10,920)

San Leon Energy plc

Consolidated statement of changes in equity

for the period ended 30 June 2021

Unaudited 30 June 2021	Share capital reserve US$'000	Share premium reserve US$'000	Other undenominated reserve US$'000	Special reserve US$'000	Currency Translation reserve US$'000	Share based payment reserve US$'000	Fair value reserve US$'000	Retained earnings US$'000	Attributable to equity holders in Group US$'000
Balance at 1 January 2021	**5,157**	**21,077**	**638**	**5,024**	**25,748**	**15,139**	**(2,699)**	**81,976**	**152,060**
Total comprehensive income for period									
Profit for the period	-	-	-	-	-	-	-	8,124	8,124
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	(11)	-	-	-	(11)
Total comprehensive income for period	-	-	-	-	(11)	-	-	8,124	8,113
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
Share buybacks	-	-	-	-	-	-	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	-
Effect of options extended	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-
Balance at 30 June 2021	**5,157**	**21,077**	**638**	**5,024**	**25,737**	**15,139**	**(2,699)**	**90,100**	**160,173**

San Leon Energy plc

Consolidated statement of changes in equity
for the period ended 30 June 2021

Unaudited 30 June 2020	Share capital reserve US$'000	Share premium reserve US$'000	Other undenominated reserve US$'000	Special reserve US$'000	Currency Translation reserve US$'000	Share based Payment reserve US$'000	Fair value reserve US$'000	Retained earnings US$'000	Attributable to equity holders in Group US$'000
Balance at 1 January 2020	**5,172**	**21,077**	**623**	**5,024**	**24,621**	**14,292**	**(2,505)**	**127,544**	**195,848**
Total comprehensive income for period									
Loss for the period	-	-	-	-	-	-	-	(20,335)	(20,335)
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	1,044	-	-	-	1,044
Total comprehensive income for period	-	-	-	-	1,044	-	-	(20,335)	(19,291)
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
Share buybacks	(15)	-	15	-	-	-	-	(507)	(507)
Dividend payment	-	-	-	-	-	-	-	(33,251)	(33,251)
Effect of options extended	-	-	-	-	-	150	-	-	150
Total transactions with owners	(15)	-	15	-	-	150	-	(33,758)	(33,608)
Balance at 30 June 2020	**5,157**	**21,077**	**638**	**5,024**	**25,665**	**14,442**	**(2,505)**	**73,451**	**142,949**

San Leon Energy plc

Consolidated statement of changes in equity

for the period ended 30 June 2021

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

San Leon Energy plc

Consolidated statement of financial position

as at 30 June 2021

	Notes	**Unaudited 30/06/21**	Unaudited 30/06/20	Audited 31/12/20
		US$'000	US$'000	US$'000
Assets				
Non-current assets				
Intangible assets	8	**-**	-	-
Equity accounted investments	9	**51,830**	30,653	44,102
Property, plant and equipment	10	**2,791**	3,821	3,294
Financial assets	11	**14,771**	36,193	17,846
Deferred tax asset	17	**-**	906	-
		69,392	71,573	65,242
Current assets				
Inventory		**183**	180	183
Trade and other receivables	12	**4,107**	1,190	1,878
Financial assets	11	**81,597**	41,018	72,889
Cash and cash equivalents	13	**12,102**	35,589	18,510
		97,989	77,977	93,460
Total assets		**167,381**	149,550	158,702
Equity and liabilities				
Equity				
Called up share capital	16	**5,157**	5,157	5,157
Share premium account	16	**21,077**	21,077	21,077
Other undenominated reserve		**638**	638	638
Special reserve	16	**5,024**	5,024	5,024
Share based payments reserve		**15,139**	14,442	15,139
Currency translation reserve		**25,737**	25,665	25,748
Fair value reserve		**(2,699)**	(2,505)	(2,699)
Retained earnings		**90,100**	73,451	81,976
Total equity attributable to equity shareholders		**160,173**	142,949	152,060
Non-current liabilities				
Lease liability	19	**2,372**	2,404	2,428
Derivative		**9**	128	9
Deferred tax liabilities	17	**921**	-	518
		3,302	2,532	2,955
Current liabilities				
Trade and other payables	14	**3,850**	4,013	3,631
Provisions	15	**56**	56	56
		3,906	4,069	3,687
Total liabilities		**7,208**	6,601	6,642
Total equity and liabilities		**167,381**	149,550	158,702

San Leon Energy plc

Consolidated statement of cash flows
for the six months ended 30 June 2021

	Notes	**Unaudited 6 months ended 30/06/21**	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
		US$'000	US$'000	US$'000
Cash flows from operating activities				
Profit / (loss) for the period – continuing operations		**8,124**	(20,335)	(11,853)
Adjustments for:				
Depletion and depreciation	10	**503**	515	1,028
Finance expense	4	**67**	69	131
Finance income	5	**(8,242)**	(7,755)	(17,442)
Share based payments charge		**-**	150	890
Foreign exchange		**68**	(285)	113
Income tax	7	**409**	815	2,248
Impairment of exploration and evaluation assets – continuing operations	8	**103**	86	196
Expected credit losses	6	**789**	5,857	13,692
Loss on disposal of subsidiaries	3	**-**	1,044	1,044
Fair value movements in financial assets	11	**1,070**	(1,645)	(4,073)
Decrease in inventory		**-**	-	(3)
Increase in trade and other receivables		**(2,266)**	(205)	(897)
Increase / (decrease) in trade and other payables		**212**	(1,393)	(1,778)
Share of (profit) / loss of equity accounted investments	9	**(7,728)**	14,145	1,139
Tax refund received		**39**	-	-
Net cash outflow in operating activities		**(6,852)**	(8,937)	(15,565)
Cash flows from investing activities				
Expenditure on exploration and evaluation assets	8	**(103)**	(86)	(196)
Interest and investment income received	5	**-**	47	47
Acquisition of ELI Equity Interest		**-**	-	(443)
ELI Loan Notes		**-**	-	(14,557)
OML 18 Loan Notes principal payments received	11	**-**	35,285	35,285
OML 18 Loan Notes interest payments received	11	**750**	6,215	11,215
Net cash inflow from investing activities		**647**	41,461	31,351
Cash flows from financing activities				
Dividends paid		**-**	(33,251)	(33,251)
Share buyback	16	**-**	(507)	(507)
Repayment of lease liability – principal	19	**(114)**	(97)	(211)
Interest and arrangement fees paid	19	**(67)**	(69)	(131)
Net cash outflow from financing activities		**(181)**	(33,924)	(34,100)
Net decrease in cash and cash equivalents		**(6,386)**	(1,400)	(18,314)
Effect of foreign exchange fluctuation on cash and cash equivalents		**(22)**	292	127
Cash and cash equivalents at start of period		**18,510**	36,697	36,697
Cash and cash equivalents at end of period	13	**12,102**	35,589	18,510

Notes to the Interim Consolidated Financial Statements
for the six months ended 30 June 2021

1. Basis of preparation and accounting policies

1.1 Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020. They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. They should be read in conjunction with the Group's annual financial statements as at 31 December 2020 which are available on the Group's website www.sanleonenergy.com.

These unaudited Half year results were approved by the Board of Directors on 29 September 2021.

1.2 Significant accounting policies

The accounting policies applied by the Group in the interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020.

1.3 Estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual report for the year ended 31 December 2020.

The Company has used draft 30 June 2021 management accounts provided by MLPL to account for the equity accounted investment. These MLPL management accounts have not been reviewed or audited by MLPL's auditors.

The Company has used draft 30 June 2021 management accounts provided by ELI to account for the equity accounted investment. These ELI management accounts have not been reviewed or audited by ELI's auditors.

1.4 Going concern

The Directors have prepared a detailed cash flow forecast for the Group and Company for the period from 1 August 2021 to 31 December 2022.

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

- Following completion of a transaction in 2016, the Company paid US$174.5 million to acquire Loan Notes in Midwestern Leon Petroleum Limited ("MLPL"), which are repayable by MLPL to San Leon and a 40% shareholding in MLPL. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18. Shareholders will note this is 0.864% higher than the percentage interest anticipated by San Leon at the time of the acquisition in 2016. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18 which has resulted in Martwestern Energy Limited's ("Martwestern") economic interest in Eroton now standing at 98%. The Group will receive cash flows from the Loan Notes in the form of interest and capital repayments. This continued to be the case during 2020 and the basis of the forecast for 2021 and 2022. On 6 April 2020, the Company entered into an agreement amending the Loan Notes Instrument. The Amendment extends the term of the Loan Notes to December 2021 and changes the expected loan note repayment schedule. Up to 30 June 2021, Loan Note payments totalling US$196.3 million of both principal and interest have been made on behalf of

MLPL. Since the reporting date, a further US$0.9 million has been received. Of the US$10.0 million due on 6 October 2020, a balance of US$3.15 million is still outstanding.

- Quarterly repayments due to start from July 2021 have been waived as agreed by San Leon and MLPL, Midwestern and Martwestern as a conditional payment waiver in respect of the repayment of approximately US$32 million of MLPL's Loan Notes and interest that fell due on 5 July (the "Conditional Payment Waiver"). The Conditional Payment Waiver expires at the end of September 2021 or, if sooner, the termination of discussions or the signing of an agreement to effect the Potential Transaction, and interest will accrue on this instalment of the Loan Notes over this period. The Board is in discussions with MLPL, Midwestern and Martwestern in relation to a further extension of the Conditional Payment Waiver.

Given the Group's well understood cost base, the principal uncertainty relates to the quantum and timing of receipt of interest and capital repayments on the Loan Notes with MLPL. It was originally envisaged that the MLPL Loan Note payments due to the Group would be sourced by MLPL from the receipt of dividends through its indirect interest in Eroton via Martwestern. These dividends have not been received and consequently MLPL has entered into loan arrangements in order to be able to make Loan Note payments to the Company. In the absence of the dividend payments, MLPL will be reliant on further advances under the loan arrangement and in turn being able to make Loan Note payments to the Company. The Company has no obligation arising from the loan arrangements entered into by MLPL.

Additional uncertainty regarding completion of a transaction and timing also exists regarding the discussions with Midwestern about acquiring Midwestern's indirect interest in the OML 18 oil and gas block located onshore in Nigeria ("OML 18"). Any transaction would involve San Leon acquiring the outstanding shares not already owned by San Leon in relation to Midwestern Leon Petroleum Limited ("MLPL") (the "Proposed Transaction"). San Leon confirmed that it is not contemplating acquiring Midwestern.

The Directors have considered the impact of the Covid-19 pandemic, the volatility in oil prices and demand, OPEC quotas, and recent operational challenges being experienced by OML 18 upon the Company's indirect interest in OML 18, and upon the Loan Notes. The Directors are still confident in the operational potential and ultimately recovering the full amount of the outstanding Loan Notes (absent the Proposed Transaction deal completing), however due to the above issues management recognise the uncertainty in timing of future cashflows and for this reason the MLPL Loan Notes continue to be credit impaired as at June 30, 2021.

The Directors have concluded, that any waived MLPL Loan Note payments, if delayed or not received, represents an uncertainty, which may cast significant doubt upon the Group and Company's ability to continue as a going concern and that, therefore, the Group and Company may be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, the Directors have a reasonable expectation that receipt of any further waived MLPL Loan Note payment(s) is not required given other expected cash inflows and mitigants considered.

Based on its consideration of Group cash flow projections and underlying assumptions, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence and to discharge its debts as they fall due for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements.

Accordingly, the Directors continue to adopt the going concern basis of preparation of the financial statements for the period ended 30 June 2021.

2. Revenue and segmental information

At 30/06/2021 (Unaudited)	Poland US$'000	Morocco US$'000	Albania US$'000	Nigeria US$'000	Ireland US$'000	Spain US$'000	Unalloc-ated# US$'000	Total US$'000
Total revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impairment of exploration and evaluation assets	**-**	**-**	**(103)**	**-**	**-**	**-**	**-**	**(103)**
Segment (loss) / profit before income tax	**313**	**-**	**(103)**	**17,763**	**(1,070)**	**(28)**	**(8,342)**	**8,533**
Property, plant and equipment	**-**	**-**	**-**	**366**	**2,425**	**-**	**-**	**2,791**
Equity accounted investments	**-**	**-**	**-**	**51,830**	**-**	**-**	**-**	**51,830**
Segment non-current assets	**-**	**-**	**-**	**61,195**	**8,197**	**-**	**-**	**69,392**
Segment liabilities	**(17)**	**(18)**	**(804)**	**(5)**	**(3,165)**	**(748)**	**(2,451)**	**(7,208)**

At 30/06/2020 (Unaudited)	Poland US$'000	Morocco US$'000	Albania US$'000	Nigeria US$'000	Ireland US$'000	Spain US$'000	Unalloc-ated # US$'000	Total US$'000
Total revenue	-	-	-	-	-	-	-	-
Impairment of exploration and evaluation assets	-	-	(86)	-	-	-	-	(86)
Segment (loss) / profit before income tax	(306)	-	(86)	(12,294)	1,388	(28)	(8,194)	(19,520)
Property, plant and equipment	23	-	-	1,111	2,687	-	-	3,821
Equity accounted investments	-	-	-	30,653	-	-	-	30,653
Segment non-current assets	23	-	-	63,349	6,485	-	1,716	71,573
Segment liabilities	(194)	(268)	(804)	-	(2,737)	(739)	(1,859)	(6,601)

At 31/12/2020 (Audited)	Poland US$'000	Morocco US$'000	Albania US$'000	Nigeria US$'000	Ireland US$'000	Spain US$'000	Unalloc-ated # US$'000	Total US$'000
Total revenue	-	-	-	-	-	-	-	-
Impairment of exploration and evaluation assets	-	-	(196)	-	-	-	-	(196)
Segment (loss) / profit before income tax	(2,093)	-	(196)	3,259	4,073	(59)	(14,589)	(9,605)
Property, plant and equipment	11	-	-	575	2,708	-	-	3,294
Equity accounted investments	-	-	-	44,102	-	-	-	44,102
Segment non-current assets	-	-	-	55,729	9,513	-	-	65,242
Segment liabilities	(83)	(18)	(804)	(4)	(3,279)	(748)	(1,706)	(6,642)

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

3. Profit or loss on disposal of subsidiaries

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
	US$'000	US$'000	US$'000
Other, recycling from equity to income statement (i)	**-**	(1,044)	(1,044)
	-	(1,044)	(1,044)

(i) Other
In 2020 the Company liquidated certain foreign operations that held non-core assets. The Group's investment in the assets held by the subsidiaries has been fully impaired in prior periods. The liquidation of the foreign operations has resulted in the realisation of cumulative foreign currency losses of US$nil (31/12/20: US$1.0 million), that had previously been recognised in equity. The realisation of the cumulative foreign currency losses does not impact the consolidated assets or liabilities.

4. Finance expense

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
	US$'000	US$'000	US$'000
Interest on obligations for leases	**67**	69	131
	67	69	131

5. Finance income

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
	US$'000	US$'000	US$'000
Finance income on Loan Notes (Note 11)	**8,242**	7,708	17,276
Movement in fair value of derivatives	**-**	-	119
Deposit interest received	**-**	47	47
	8,242	7,755	17,442

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

6. Expected credit losses

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
	US$'000	US$'000	US$'000
OML 18 Loan Notes – impact of modification	**-**	(5,857)	(5,857)
OML 18 Loan Notes – net remeasurement of loss allowance	**(704)**	-	(7,450)
ELI Loan Notes – initial recognition	**(85)**	-	(385)
	(789)	(5,857)	(13,692)

7. Income tax

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
	US$'000	US$'000	US$'000
Current tax:			
Current year income tax	**6**	3	12
Deferred tax			
Origination and reversal of temporary differences	**756**	269	893
Deferred tax movement in Barryroe NPI	**(353)**	543	1,343
Total income tax charge / (credit)	**409**	815	2,248

The difference between the total tax shown above and the amount calculated by applying the applicable standard rate of Irish corporation tax to the loss before tax is as follows:

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year ended 31/12/20
	US$'000	US$'000	US$'000
Current tax:			
Profit / (loss) before income tax	**8,533**	(19,520)	(9,605)
Tax on loss at applicable Irish corporation tax rate of 25% (2020: 25%)	**2,133**	(4,880)	(2,401)
Effects of:			
Deferred tax on fair value movement in financial assets	**(86)**	132	326
Effect of different tax rates	**-**	-	2
Losses utilised in period	**(345)**	(269)	(690)
Expenses not deductible for tax purposes	**(2,519)**	4,539	2,559
Income tax withheld	**6**	3	13
Excess losses carried forward	**1,220**	1,290	2,439
Tax charge / (credit) for the period	**409**	815	2,248

8. Intangible assets

Exploration and evaluation assets

	Unaudited 30/06/21 US$'000
Cost and net book value	
At 1 January 2020	-
Additions	196
Write off / impairment of exploration and evaluation assets	(196)
At 31 December 2020	**-**
Additions	103
Write off / impairment of exploration and evaluation assets	(103)
At 30 June 2021	**-**

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

	Unaudited 6 months ended 30/06/21	Unaudited 6 months ended 30/06/20	Audited Year Ended 31/12/20
Albania	**103**	86	196
Total	**103**	86	196

The Directors considered the carrying value of capitalised costs in respect of its exploration and evaluation assets. These assets were assessed for impairment indicators and in particular with regard to remaining licence terms, likelihood of licence renewal, likelihood of further expenditures and on-going appraisals for each area. Based on internal assessments from the latest information available, the exploration and evaluation assets remain fully impaired in 2021.

9. Equity accounted investments

	Unaudited 30/06/21 US$'000	Unaudited 30/06/20 US$'000	Audited 31/12/20 US$'000
Opening balance	**44,102**	44,798	44,798
Additions (ELI)	-	-	443
Share of (loss) / profit of equity accounted investments	**7,728**	(14,145)	(1,139)
Closing balance	**51,830**	30,653	44,102

The Group's only joint venture entities and associates are as follows:

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

2020

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

	Midwestern Leon Petroleum Limited (i)	Energy Link Infrastructure (Malta) Limited (ii)	Total
Equity Interest	40%	10%	
	US$'000	US$'000	**US$'000**
Group's interest in net assets of investee at 1 January 2020	44,798	–	**44,798**
Additions	–	443	**443**
Share of loss	(976)	(163)	**(1,139)**
Group's interest in net assets of investee at 31 December 2020	43,822	280	**44,102**
Additions	–	–	–
Share of profit / (loss)	8,001	(273)	**7,728**
Group's interest in net assets of investee at 30 June 2021	51,823	7	**51,830**

(i) Midwestern Leon Petroleum Limited

The Group identified potential impairment indicators, being that MLPL is yet to receive a dividend from Eroton, US$4.2 million of a US$10.0 million repayment due on 6 October 2020 was still outstanding at period end, and MLPL has entered into a loan to be able to make Loan Note repayments to the Group. To test for a potential impairment the carrying value of the equity interest in MLPL was compared against the fair value less cost of sale. This was estimated using a discounted cashflow model of the expected future cashflows from MLPL's share of the underlying OML 18 asset. Future cashflows of OML 18 were estimated using the following price assumptions of US$54/bbl in 2021, US$57/bbl in 2022, 2023 and 2024 and a subsequent long term price US$62/bbl escalated at 2% annually, with the cashflows discounted using a post-tax discount rate of 10%. Assumptions involved in the impairment assessment include estimates of commercial reserves, production rates, future oil prices, discount rates and operating and capital expenditure profiles, all of which are inherently uncertain. This analysis identified that the carrying value of the equity interest in MLPL is not impaired.

If the recoverable amount was estimated taking into account a reduction in the oil price of 30% over the same period and an increase in the discount rate to 25%, then the carrying value of the equity interest in MLPL would still not be impaired.

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

On 24 June 2021 it was announced that the Company is in preliminary discussions with Midwestern about acquiring Midwestern's indirect interest in the OML 18 oil and gas block located onshore in Nigeria. At that stage heads of terms for such a transaction had not been agreed. Any transaction would involve San Leon acquiring the outstanding shares, 60%, not already owned by San Leon in relation to Midwestern Leon Petroleum Limited.

See Subsequent events (Note 21) for further information on the discussions with Midwestern about acquiring Midwestern's indirect interest in the OML 18.

(ii) Energy Link Infrastructure (Malta) Limited

In August 2020 the Company acquired a 10% non-controlling interest in Energy Link Infrastructure (Malta) Limited ("ELI") (See Note 11(ii)).

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

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

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

On 24 June 2021, the Company announced a conditional investment of US$2.0 million as well as an option to conditionally invest a further US$6.5 million in the equity of ELI. The equity being conditionally purchased and the equity that may be purchased via the option are existing equity interests in ELI owned by Walstrand (Malta) Limited, ELI's largest shareholder. The conditional investment will comprise of the Company investing US$2.0 million for 1.323% of ELI, with San Leon simultaneously receiving an option (the "Option") to conditionally purchase a further 4.302% of ELI for US$6.5 million (together the "Further Investment"). The total consideration payable should the Option be exercised in full will therefore be US$8.5 million and will be payable by the Company in cash. Any investment pursuant to the Further Investment will be conditional on obtaining the consent of Guaranty Trust Bank PLC ("GTBank") who currently hold a pledge over the shares held by Walstrand (Malta) Limited in ELI. The exercise of the Option will be at the sole discretion of the Company, although such exercise will be subject to the consent of GTBank.

Under the terms of ELI's senior debt facility with GTBank, the lender has a charge over all of ELI's assets and, as further security, each shareholder in ELI (including San Leon in relation to its current shareholding in ELI) has pledged their shares in ELI to the lender. The terms of the pledge are that the shares in ELI cannot be transferred or otherwise utilised without the lender's consent. All shares in ELI that will be acquired pursuant to the Further Investment will be returned to this pledge.

The conditional investment of US$2.0 million is included in Trade and other receivables pending GTBank giving consent to the transfer of shares to San Leon (Note 12 (i)).

10. Property, plant and equipment

	Leased assets US$'000	Plant & equipment US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost					
At 1 January 2020	3,281	9,050	1,203	495	14,029
Disposals	-	-	(111)	-	(111)
Currency translation adjustment	-	116	-	(15)	101
At 31 December 2020	3,281	9,166	1,092	480	14,019
Currency translation adjustment	-	(177)	(18)	(21)	(216)
At 30 June 2021	**3,281**	**8,989**	**1,074**	**459**	**13,803**
At 30 June 2020	3,281	9,050	1,203	495	14,029
Depreciation					
At 1 January 2020	329	7,803	1,138	415	9,685
Charge for the year	378	622	12	16	1,028
Disposals	-	-	(111)	-	(111)
Currency translation adjustment	-	122	16	(15)	123
At 31 December 2020	707	8,547	1,055	416	10,725
Charge for the period	177	312	5	9	503
Currency translation adjustment	-	(177)	(18)	(21)	(216)
At 30 June 2021	**884**	**8,682**	**1,042**	**404**	**11,012**
At 30 June 2020	517	8,114	1,138	439	10,208
Net book values					
At 30 June 2021	**2,397**	**307**	**32**	**55**	**2,791**
At 30 June 2020	2,764	936	65	56	3,821
At 31 December 2020	2,574	619	37	64	3,294

11. Financial assets

	OML 18 (i) US$'000	ELI (ii) US$'000	Barryroe 4.5% net profit interest (iii) US$'000	Unquoted shares (iv, v) US$'000	Total US$'000
	Amortised cost	Amortised cost	FVTPL	FVOCI-equity instrument	
Cost / Valuation					
At 1 January 2020	114,254	-	2,769	194	117,217
Net fair value of acquisition of ELI Loan Notes	-	14,557	-	-	14,557
Finance income	16,480	796	-	-	17,276
Loan Notes receipts – principal	(35,285)	-	-	-	(35,285)
Loan Notes receipts – interest	(11,215)	-	-	-	(11,215)
Lifetime ECL – credit-impaired #	(15,309)	-	-	-	(15,309)
Impairment of unquoted shares, Other comprehensive income	-	-	-	(194)	(194)
Fair value movement, Income Statement	-	-	4,073	-	4,073
At 31 December 2020	68,925	15,353	6,842	-	91,120
Finance income	7,069	1,173	-	-	8,242
Impairment – (credit-impaired assets) #	(704)	-	-	-	(704)
Loan Notes receipts – interest	(750)	-	-	-	(750)
Fair value movement, Income statement	-	-	(1,070)	-	(1,070)
At 30 June 2021	**74,540**	**16,526**	**5,772**	-	**96,838**
Expected Credit Loss Provision					
At 1 January 2020		-	-	-	-
New financial asset acquired *		(385)	-	-	(385)
At 31 December 2020		(385)	-	-	(385)
Increased in the period *		(85)	-	-	(85)
At 30 June 2021		**(470)**	**-**	**-**	**(470)**

See OML18 ECL table below
* ELI ECL table below

Expected Credit Loss – OML 18	Performing 12-month ECL	Higher risk assets not credit impaired Lifetime ECL	Credit impaired Lifetime ECL	Total
At 31 December 2019	–	(2,002)	–	(2,002)
Impact of modification	–	(5,857)	–	(5,857)
Net remeasurement of loss allowance	–	(7,450)	–	(7,450)
Transfer to lifetime ECL - credit-impaired	–	15,309	(15,309)	–
At 31 December 2020	–	–	(15,309)	(15,309)
Impairment	–	–	(704)	(704)
Effective interest on ECL	–	–	(1,791)	(1,791)
At 30 June 2021	**–**	**–**	**(17,804)**	**(17,804)**

Expected Credit Loss – ELI	Performing 12-month ECL	Higher risk assets not credit impaired Lifetime ECL	Credit impaired Lifetime ECL	Total
At 1 January 2019 and 31 December 2019	–	–	–	–
New financial assets originated	(385)	–	–	(385)
At 31 December 2020	**(385)**	**–**	**–**	**(385)**
Net remeasurement of loss allowance	(85)	–	–	(85)
At 30 June 2021	**(470)**	**–**	**–**	**(470)**

	OML 18 (i) US$'000	**ELI (ii) US$'000**	**Barryroe 4.5% net profit interest (iii) US$'000**	**Unquoted shares (iv, v) US$'000**	**Total US$'000**
	Amortised cost	Amortised cost	FVTPL	FVOCI- equity instrument	
Book value at 30 June 2021	**74,540**	**16,056**	**5,772**	**–**	**96,368**
Current	**74,540**	**7,057**	**–**	**–**	**81,597**
Non-current	**–**	**8,999**	**5,772**	**–**	**14,771**
Book value at 30 June 2020	72,603	–	4,414	194	77,211
Current	41,018	–	–	–	41,018
Non-current	31,585	–	4,414	194	36,193
Book value at 31 December 2020	68,925	14,968	6,842	–	90,735
Current	68,925	3,964	–	–	72,889
Non-current	–	11,004	6,842	–	17,846

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

(i) OML 18 Production Arrangement

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

The Company undertook a number of steps to effect this purchase. MLPL, a company incorporated in Mauritius of which San Leon Nigeria B.V. has a 40% shareholding, was established as a special purpose vehicle to complete the transaction by purchasing all of the shares in Martwestern, a company incorporated in Nigeria. Martwestern holds a 50% shareholding in Eroton, a company incorporated in Nigeria and the operator of OML 18, and Martwestern also holds an initial 98% economic interest in Eroton. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584% in OML 18. Shareholders will note that this is higher than the percentage interest anticipated by San Leon at the time of the acquisition in 2016. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18.

To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed US$174.5 million in incremental amounts by issuing loan notes with an annual coupon of 17% ("Loan Notes") and effective interest rate of 25%, as noted below. Midwestern Oil and Gas Company Limited ("Midwestern") is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL and the holder of an indirect economic interest in OML 18. San Leon is due to be repaid the full amount of the US$174.5 million plus the 17% coupon once certain conditions have been met and using an agreed distribution mechanism. Through its wholly owned subsidiary, San Leon Nigeria B.V., the Company is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL but the Loan Notes repayments must take priority over any dividend payments made to the MLPL shareholders.

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

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

 # The fair value of Loan Notes attributable to the equity investment is calculated using a discount factor of management's estimate of a market rate of interest of 8% above the coupon rate of 17% over the term of the Loan Notes, giving an effective interest rate of 25%.

The key information relevant to the fair value of the Loan Notes on the date they were initially recognised is as follows:

Valuation technique	Significant unobservable inputs *	Inter-relationships between the unobservable inputs and fair value measurements
Discounted cash flows	– Discount rate 25% based on a market rate of interest of 8% above the coupon rate of 17% – MLPL ability to generate cash flows for timely repayment – Loan Notes are repayable in full by 31 December 2021	Nil

*Day 1 and considered appropriate at 30 June 2021.

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

The credit risk is managed via various undertakings, guarantees, a pledge over shares and the mechanism whereby MLPL prioritises payment of sums due under the Loan Notes. Given the size and quality of the OML 18 oil and gas asset the main credit risk is regarded as the timing of payments by MLPL which is dependent on dividend distributions by Eroton rather than being unable to pay the total quantum due under the Loan Notes. To date Eroton have been unable to make a dividend distribution. Consequently, MLPL had to enter into a loan in 2017 and subsequently, in order to be able to meet its obligations under the Loan Notes and make payments to San Leon.

On 6 April 2020, the Company entered into an Agreement with MLPL, amending the timing of the remaining payment of the Loan Notes Instrument. At the date of the Agreement, the remaining outstanding balance on the par value was US$82.1 million (accounted for as US$79.5 million under IFRS). Under the terms of the Agreement, US$10.0 million was due to be repaid on or before 6 October 2020, with the balance of the Loan Notes receivable payable in three quarterly instalments, commencing in July 2021 and completing by December 2021. The outstanding loan will continue to have an annual coupon rate of 17% and an effective interest rate of 25% per annum until repaid. All other material terms of the Loan Notes Instrument remain unchanged. The Agreement with MLPL was accounted for as a modification of the financial asset which did not give rise to derecognition. A loss of US$2.5 million was recognised in respect of the change in present value of the revised cashflows discounted at the original effective interest rate.

Up to 30 June 2021 San Leon received total payments under the Loan Notes of US$0.8 million (2020: US$46.5 million). The payments received during 2021 represent principal of US$nil (2020: US$35.3 million) and interest of US$0.8 million (2020: US$11.2 million)) on the Loan Notes repaid. As at 30 June 2021 there was US$93.6 million in principal and interest (2020: US$84.2 million), due under the Loan Notes. As at 30 June 2021, US$4.2 million was outstanding from the US$10.0 million due to be repaid on 6 October 2020. Since then, US$1.1 million of the balance outstanding has been received.

The Directors of San Leon have considered the credit risk of the Loan Notes at 30 June 2020, 31 December 2020 and 30 June 2021. Due to the inability of MLPL to make dividend distributions, the Directors continue to consider that the credit risk has significantly increased since initial recognition. At 31 December 2019 a provision for the lifetime expected credit loss of the Loan Notes had been recognised. In 2020, issues such as the impact of the

Covid-19 pandemic on the global economy, the volatility in oil prices and demand, OPEC quotas, and operational challenges experienced by OML 18 resulted in a significant loss being recorded in MLPL at 31 December 2020. This, along with production issues at the field has impacted the financial strength of MLPL, particularly in respect of short term liquidity.

In addition, the Directors have reviewed the counterparty credit risk associated with measurement of the expected credit loss. This was assessed as having increased significantly since initial recognition, and is now considered to have increased further during the year ended 31 December 2020 and the period ended 30 June 2021.

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

The Loan Notes are unique assets for which there is no directly comparable market data. Repayments of the Loan Notes are expected to be made from the underlying cashflows that support MLPL. The Directors have considered the credit risk of MLPL, in particular in light of the Covid-19 pandemic and the resultant impact on the oil price and demand, as well as ongoing short term production issues. As a result, the credit risk has been determined to have increased since 31 December 2019 and the Loan Notes are now considered to be impaired. In previous periods an annualised expected credit loss of 3.11% was applied to the amount outstanding on the Loan Notes. This rate was determined on the basis of long-term historical default rates of loans originated in similar geography and industry. A default rate determined by reference to historical default rates has been determined to be less appropriate in the current environment as a result of the uncertainty created by the Covid-19 pandemic and ongoing operational issues. In addition, the change in profile of the repayments due under the Loan Notes, arising as a result of the amendments to the Loan Notes agreed in April 2020, means that an expected default risk taking into account the timing of the payments is now also appropriate. An impairment has been estimated based on a forward looking analysis where a range of outcomes has been considered taking into account the size and timing of the contractual cashflows, the risk of late payment and the risk of default leading to less than full recovery of the amounts due in respect of the Loan Notes. The Directors have considered the possible scenarios and used their judgement to estimate a weighted average outcome of these scenarios. The impairment is calculated as the difference between the present value of the weighted average of possible outcomes (discounted at the effective interest rate of the Loan Notes) and the present value of the contractual cashflows. This has then been compared to publicly available macroeconomic data of default rates by geography and industry.

As at 30 June 2021 the Loan Notes are considered credit impaired. The expected credit loss of US$17.8 million (2020: US$15.3 million) has been presented net with the amortised cost of the Loan Notes.

On 24 June 2021 it was announced that the Company is in preliminary discussions with Midwestern about acquiring Midwestern's indirect interest in the OML 18 oil and gas block located onshore in Nigeria. As at 30 June 2021 heads of terms for such a transaction had not been agreed.

See Subsequent events (Note 21) for further information on the discussions with Midwestern about acquiring Midwestern's indirect interest in the OML 18.

(ii) Energy Link Infrastructure (Malta) Limited

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

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

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

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

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

The fair value of ELI Loan Notes attributable to the equity investment is calculated using a discount factor of management's estimate of a market rate of interest of 2% above the coupon rate of 14% over the term of the ELI Loan Notes, giving an effective interest rate of 16%.

The key information relevant to the fair value of the ELI Loan Notes on the date they were initially recognised is as follows:

Valuation technique	Significant unobservable inputs*	Inter-relationships between the unobservable inputs and fair value measurements
Discounted cash flows	• Discount rate 16% based on a market rate of interest of 2% above the coupon rate of 14% • ELI ability to generate cash flows for timely repayment • ELI Loan Notes are repayable in full by 6 October 2024.	Nil

*Day 1 and considered appropriate at 31 December 2020.

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

The credit risk is managed via various undertakings, such as representations, warranties and covenants and the ability for a preferential distribution should some warranties be breached. These are described further in Note 20. Given the nature and stage of the asset the main credit risk is regarded as the timing of payments by ELI Malta which is dependent on dividend distributions by ELI Nigeria rather than being unable to pay the total quantum due under the ELI Loan Notes.

As at 30 June 2021 there was US$16.5 million in principal and interest, due under the ELI Loan Notes.

The Directors of San Leon have considered the credit risk of the ELI Loan Notes at 30 June 2021. Both tranches of the ELI Loan Notes were issued in H2 2020, with a one year repayment holiday. The first repayment is due is on 31 July 2021, however San Leon announced on 24 June 2021 that it is considering making further debt and equity investments in ELI and reaffirmed that intention in subsequent announcements during July 2021. The Company has agreed with ELI that, should these further investments be made, then the First Instalment will be offset from any investment monies payable to ELI by San Leon under certain of these new arrangements. Pending any further investment in ELI, the First Instalment will continue to accrue interest at 14% per annum. Therefore the ELI Loan Notes are currently considered to be in good standing. Despite some project delays due to the impacts of Covid-19, it is not expected that this will impact the ability of ELI to make ELI Loan Note repayments, with current projections indicating that all debt will be serviced in accordance with contract expectations. The Directors do not consider the credit risk has significantly increased since initial recognition, and a provision for a 12-month expected credit loss of the ELI Loan Notes has been recognised.

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

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

The Company determined that the expected credit loss provision of US$0.5 million (2020: US$0.4 million), being 3.2% (2020: 2.6%) of the balance at acquisition was appropriate.

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

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

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

Given the 2020 announcements, the Directors reviewed the modelling assumptions and considered it reasonable and appropriate to continue to use a market based approach to increase the Barryroe carrying value by US$4.0 million to US$6.8 million to reflect their estimate of the impact of these risks to the future cash flows on the value of the asset.

In April 2021 Providence announced that it had terminated the farm-out agreement with the partner and is progressing arrangements for an alternative funding package to finance 100% of the costs of the early development scheme.

Given the share price of Providence at 30 June 2021, under the market-based valuation approach the Barryroe carrying value is to be revalued downwards by US$1.1 million (2020: upwards by US$4.1 million) to a fair value of US$5.7 million (2020: US$6.8 million).

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

Valuation technique	Significant unobservable inputs	Inter-relationships between the unobservable inputs and fair value measurements
Market based approach using share price of Operator (Providence)	• Estimated value of NPI as percentage of total field NPV 9.5% (2020: 9.5%)	The estimated fair value would increase / (decrease) if: • GBP exchange rate increased / (decreased) • Market capitalisation of Providence increased / decreased

(iv) Ardilaun Energy Limited

As part of the consideration for the sale of Island Oil & Gas Limited to Ardilaun Energy Limited ("Ardilaun") in 2014 Ardilaun agreed to issue shares equivalent to 15% of the issued share capital of Ardilaun to San Leon. The original fair value of the 15% interest in Ardilaun was based on a market transaction in Ardilaun shares.

The Directors considered the carrying value of this interest at 31 December 2020 and given the length of time to obtain Irish government approval for the transaction, the Directors felt it was prudent to carry 15% of Ardilaun shares still to be issued to San Leon at a value of US$nil. This carrying value has been maintained at 30 June 2021.

(v) Gemini Resources Limited

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

The Directors considered the carrying value of this interest at 31 December 2020 to be US$nil. This carrying value has been maintained at 30 June 2021.

(vi) Poznan 10% Net Profit Interest
In 2016, San Leon sold its 35% interest in the Poznan assets for a consideration of €1 plus a 10% NPI. Until active development commences a nil value has been placed on the NPI. There has been no change in 2021.

(vii) Gora 5% Net Profit Interest
In 2018, San Leon sold its interest in the Gora assets for a consideration of €1 plus a 5% NPI. Until active development commences a nil value has been placed on the NPI. There has been no change in 2021.

(viii) Liesa 5% Net Profit Interest
In 2018, San Leon sold its interest in the Liesa assets for a consideration of €1 plus a 5% Net Profit Interest ("NPI"). Until active development commences a nil value has been placed on the NPI. There has been no change in 2021.

(iv) Amedeo Resources plc
As at 30 June 2021 and at 31 December 2020, the Company held 213,512 ordinary shares at a market value of US$nil. The value of the investment was written down to nil in 2018 due to the shares of Amedeo Resources plc being de-listed.

12. Trade and other receivables

	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
	US$'000	US$'000	US$'000
Amounts falling due within one year:			
Trade receivables from joint operating partners	**2**	-	2
Corporation tax refundable	**-**	49	39
VAT and other taxes refundable	**87**	162	88
Other debtors (i) (ii)	**6,241**	4,313	4,264
Expected credit loss on other debtors (ii)	**(3,532)**	(3,532)	(3,532)
Prepayments and accrued income (iii)	**1,309**	198	1,017
	4,107	1,190	1,878

(i) Other debtors includes the US$2.0 million ELI conditional investment, detailed in Equity accounted investments (Note 9 (ii)).

(ii) In 2017, other debtors included US$3.6 million due from NSP Investments Holdings Ltd for the disposal of equity accounted investments. During 2018, the Directors fully provided for the amount. There has been no change in 2021.

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

(iii) Prepayments includes an amount of US$0.8m in relation to the Oza deal, detailed in Commitments and contingencies (Note 18(b)).

13. Cash and cash equivalents

	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
	US$'000	US$'000	US$'000
Cash and cash equivalents	**5,349**	35,089	11,757
Solicitor client account (i)	**6,753**	500	6,753
	12,102	35,589	18,510

(i) Solicitor client account at 30 June 2021 and 31 December 2020 represents monies held on behalf of the Company by Adepetun Caxton-Martins Agbor & Segun in relation to the Oza deal, detailed in Commitments and contingencies (Note 18(b)) (30/06/20: David M. Turner & Company Solicitors).

14. Trade and other payables

	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
	US$'000	US$'000	US$'000
Current			
Trade payables	**1,020**	1,278	719
PAYE / PRSI	**159**	153	295
Other creditors	**41**	108	36
Accruals	**2,291**	2,141	2,248
Current portion of lease	**333**	333	333
Corporation tax payable	**6**	-	-
	3,850	4,013	3,631

Non-current			
Non-current portion of lease	**2,372**	2,404	2,428

15. Provisions for liabilities

	Decommissioning US$'000
Cost	
At 1 January 2020	56
Movement during the year	-
At 31 December 2020	56
Movement during the period	**-**
At 30 June 2021	**56**
Current	**56**
Non-current	**-**
At 30 June 2020	56
Current	56
Non-current	-
At 31 December 2020	56
Current	56
Non-current	-

Decommissioning
The provision for decommissioning costs is recorded at the value of the expenditures expected to be required to settle the Group's future obligations on decommissioning of previously drilled wells.

16. Share capital

	Number of New Ordinary shares €0.01 each	Authorised equity US$'000
Authorised equity		
At 1 January 2020	2,847,406,025	177,475
At 30 June 2020	2,847,406,025	177,475
At 30 June 2021	**2,847,406,025**	**177,475**

	Number of New Ordinary shares €0.01 each	Share capital US$'000	Share premium US$'000
Issued called up and fully paid:			
At 1 January 2020	451,303,014	5,172	21,077
Share buybacks	(1,389,988)	(15)	-
At 31 December 2020 and 30 June 2021	449,913,026	5,157	21,077
At 30 June 2020	449,913,026	5,157	21,077

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

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

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

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

On 22 January 2020, the Company announced that it had completed the buyback programme. Under the Buyback Programme, the Company repurchased 5,709,101 Ordinary Shares at an aggregate value of £1,570,085.49. Following cancellation of the final shares repurchased, the total number of Ordinary Shares in issue with voting rights was 449,913,026.

Special reserve
Pursuant to the capital reduction in 2019, the company undertook to credit US$5,024,260 to a special reserve. This special reserve is not a distributable reserve and must remain in place until such time as obligations in respect of certain guarantees given by the Company have lapsed or become unenforceable.

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

17. Deferred tax asset / (liability)

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

	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
	US$'000	US$'000	US$'000
Financial assets – IFRS 9	**(1,063)**	(616)	(1,416)
Financial assets – other	**175**	175	175
Unrealised exchange difference	**(4)**	-	(4)
Interest not taxable until received	**(492)**	-	(199)
Tax losses recognised	**463**	1,347	926
Total deferred tax asset/(liabilities)	**(921)**	906	(518)

18. Commitments and contingencies

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

	Unaudited 30/06/21	Unaudited 30/06/20	Audited 31/12/20
	US$'000	US$'000	US$'000
Payable:			
Within one year	**369**	340	369
Between one and five years	**1,472**	1,348	1,472
Over five years	**1,534**	1,740	1,718
	3,375	3,428	3,559

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

(c) Exploration, evaluation and development activities
The Group has commitments of US$Nil (31/12/20: US$Nil) in the period ended 30 June 2021 to contribute to its share of exploration and evaluation expenditure in respect of exploration licences and concessions held.

(d) Horizon Petroleum Ltd
The Group has a contingent asset, the consideration is in aggregate of US$2.0 million in relation to the sale completed in August 2019 to Horizon Petroleum Ltd.

(e) Island Oil & Gas Limited Guarantee
The Company has a Guarantee in respect of the decommissioning liabilities of Island (Seven Heads) Limited, a subsidiary of Island Oil & Gas Limited ("Island"). In the event that Island are unable to pay the decommissioning liabilities, under the Guarantee, the Company could be liable for any amounts Island does not pay.

19. Leases

Right-of-use asset (included within Property, plant and equipment)	
	At 30/06/21 US$'000
Property leases	
At 1 January 2020	**2,952**
Depreciation charge for the year	**(378)**
At 1 January 2021	**2,574**
Depreciation charge for the period	**(177)**
Closing net carrying amount at 30 June 2021	**2,397**

Lease liability	
	At 30/06/21 US$'000
Property leases	
At 1 January 2020	2,834
Payments – principal	(211)
Payments – interest	(131)
Currency translation adjustment	138
Interest	131
At 1 January 2021	2,761
Payments – principal	(114)
Payments – interest	(67)
Currency translation adjustment	58
Interest	67
Closing net carrying amount at 30 June 2021	**2,705**
Current	**333**
Non-current	**2,372**

20. Related party transactions

The Company and Group has related party transactions with i) Directors ii) shareholders iii) subsidiaries and iv) other entities with which it has entered into business arrangements. Due to the influence or material interest that these parties have in transactions with the Company or Group they are required to be disclosed and are detailed below.

Property
The Company holds an option to acquire a property at market value from Mr. Fanning. The option has a remaining life of five and a half years and the option fee of US$409,000 is included in other receivables (Note 12) and is refundable when the Company either exercises or terminates the option. Mr. Fanning was paid US$162,746 (31/12/20: US$215,999) rent for the use of this property during the period by the Company.

The property was available for use by all staff and consultants requiring overnight accommodation while conducting business on behalf of the Company up to it being used for office space in June 2021, see below.

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

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

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

Greenbay Energy Resources Limited
San Leon Energy plc and Greenbay Energy Limited have a common Director, Mr. Mutiu Sunmonu. San Leon has a consultancy agreement with Greenbay Energy Limited which was paid US$52,080 for amounts due for 2021 (31/12/20: US$95,181).

In June 2019, San Leon Energy plc entered into an agreement with Caledonian Properties Nigeria Limited ("Caledonian"), a company owned by Mr. Mutiu Sunmonu, for the use of two properties in Lagos, Nigeria, in their entirety for two years from 1 July 2019. Caledonian was paid US$231,000 for the period 1 July 2019 to 30 June 2021 of which US$57,750 relates to 2021 (31/12/20: US$115,500). It is common practice to pay such sums up-front in Nigeria.

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

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

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

The total cash consideration due to the Company for the sale of its 35% interest in TSH was US$9.0 million, of which US$4.5 million was received in November 2016. The balance of US$4.5 million plus accrued interest (the "Amount Due") was due to paid to San Leon on or before 1 October 2017. As announced on 2 January 2018 under a novation agreement and extension agreement dated 22 December 2017, the Amount Due is now the full responsibility of NSP Investments Holdings Ltd, a BVI registered company that holds a 35% interest in TSH. San Leon also announced that it had received a further US$1.5 million payment of the Amount Due. The Company was due to receive a further US$3.6 million, including an extension fee plus any further accrued interest on or before 1 September 2018. The Company had not received the US$3.6 million by 31 December 2018 and, provided for expected credit losses of US$3.4 million and reversed accrued interest receivable in 2018 of US$0.2 million. As at 30 June 2021 this position has not changed.

On 10 September 2021, Gemini Energy B.V. ("Gemini") completed the transfer of NSP's 35% holdings of both TSH and Poznan, detailed in Subsequent events Note 21, from NSP to Gemini.

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

On 11 May 2020 the Company was informed that funds managed by Tosca Asset Management LLP had sold 98,000,000 ordinary shares in the Company on 7 May 2020. On completion of the sale funds managed by Tosca Asset Management LLP held 228,771,927 ordinary shares, representing 50.85% of the issued share capital of the Company. This sale was not completed and on 22 December 2020 the Company was informed that funds managed by Tosca Asset Management LLP held 330,570,719 ordinary shares in the Company at that date.

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

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

Martwestern holds a 50% shareholding in Eroton, a company incorporated in Nigeria and the operator of OML 18, and it also holds an initial 98% economic interest in Eroton. To partly fund the purchase of 100% of the shares of Martwestern, MLPL borrowed US$174.5 million in incremental amounts by issuing loan notes with a coupon of 17% ("Loan Notes"). Midwestern is the 60% shareholder of MLPL and transferred its shares in Martwestern to MLPL as part of the full transaction. Following its placing in September 2016, San Leon became beneficiary and holder of all Loan Notes issued by MLPL and the holder of an indirect economic interest in OML 18. San Leon is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL but the Loan Notes repayments and any other debt take priority over any dividend payments made to the MLPL shareholders. The economic effect of this structure is that San Leon has an initial indirect economic interest of 10.584%. in OML 18.

Shareholders will note this is higher than the percentage interest anticipated by San Leon at the time of the acquisition. There have been no further purchases or payments by San Leon but this revised percentage is based on a reassessment and recalculation of the various parties' interests in OML 18 which has resulted in Martwestern's economic interest in Eroton now standing at 98%.

To date, San Leon has received aggregate payments under the Loan Notes totalling US$196.3 million. An expected credit loss of US$2.0 million was recognised at 31 December 2019. Due to uncertainty around the timing of repayments, the Company impaired the Loan Notes, netting the expected credit loss of US$2.0 million against the gross amortised value and recognising an impairment charge of US$15.8 million at 31 December 2020. The Company further increased the impairment charge to US$17.8 million at 30 June 2021.

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

The Loan Notes have been secured with undertakings by both Eroton and Martwestern, including not to take any action within their control which would result in default by MLPL, and to act honestly and in good faith. In addition, to the extent practicable and subject to law, use commercially reasonable efforts to declare dividends in order that MLPL can satisfy its obligations under the Loan Notes instrument.

The shares held by MLPL in Martwestern have also been pledged as security to the obligations under the Loan Notes.

Midwestern and Mart Resources Limited jointly and severally guaranteed the payment of the Loan Notes following a default and to make immediate payment and performance of all obligations to holders of the Loan Notes.

While San Leon is also a beneficiary of any dividends that will be paid by MLPL as a 40% shareholder in MLPL, the Loan Notes repayments must take priority over dividend payments made by MLPL to shareholders with a minimum 65% cash sweep of available funds for a period of four years in order to redeem the Loan Notes.

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

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

During 2018 San Leon entered into an agreement with Eroton for the provision of subsurface technical and management services with estimated consideration for the services of US$6.0 million until the end of 2022.

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

2017

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

2018

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

2019

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

2020

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

2021
During 2021 San Leon received total payments under the Loan Notes totalling US$0.8 million. MLPL used loan agreements similar to those entered into in 2020 to continue to make the repayments during 2021.

In June 2021 San Leon announced that the Company is in preliminary discussions with Midwestern about acquiring Midwestern's indirect interest in the OML 18 oil and gas block located onshore in Nigeria ("OML 18"). At 30 June 2021 heads of terms for such a transaction have not been agreed. Any transaction would involve San Leon acquiring the outstanding shares not already owned by San Leon in relation to Midwestern Leon Petroleum Limited ("MLPL"). San Leon is not contemplating acquiring Midwestern. The acquisition by San Leon of the outstanding shares in MLPL not already owned by San Leon would constitute a reverse takeover under rule 14 of the AIM Rules for Companies (the "AIM Rules"). MLPL is part of the structure through which San Leon holds its current 10.58% indirect economic interest in OML 18. San Leon currently has a 40% equity interest in MLPL. MLPL has a 100% equity investment in Martwestern Energy Limited ("Martwestern"), which in turn has a 98% economic interest in Eroton Exploration and Production Company Limited ("Eroton"), which holds a 27% working interest in OML 18 and is its operator.

The consideration for this, and other matters, would be satisfied by the issuance of a substantial number of new ordinary shares in San Leon to Midwestern, such that Midwestern would become the majority shareholder of San Leon.

See Note 21, Subsequent events, for further details of the proposed transaction with Midwestern Oil and Gas Company Limited.

21. Subsequent events

Proposed transaction with Midwestern Oil and Gas Company Limited

On 7 July San Leon agreed with MLPL, Midwestern and Martwestern to a conditional payment waiver in respect of the repayment of approximately US$32 million of MLPL's Loan Notes and interest that fell due on 5 July (the "Conditional Payment Waiver"). The Conditional Payment Waiver expires at the end of August 2021 or, if sooner, the termination of discussions or the signing of an agreement to effect the Potential Transaction, and interest will accrue on this instalment of the Loan Notes over this period. The sums to which the Conditional Payment Waiver relates (and those falling due within 30 days after the expiry of the Conditional Payment Waiver) will be payable 90 days after such expiry, save for, inter alia, if there is an event of default.

On 12 July 2021 the Company announced that heads of terms have been signed in respect of, inter alia, the proposed reorganisation to consolidate Midwestern Oil and Gas Company Limited's ("Midwestern") holdings in the Company and Midwestern Leon Petroleum Limited ("MLPL") into a single holding in the Company (the "Potential Transact ion"). Following the Potential Transaction, the Company will own 100% of the equity in MLPL. San Leon currently owns 40% of the equity in MLPL and Midwestern owns the remaining 60% of the equity in MLPL.

The heads of terms, which are subject, inter alia, to due diligence, agreement of final contracts, Nigerian regulatory approvals and the approval of San Leon's shareholders, sets out the structure of the Potential Transaction and includes, inter alia, the proposed further debt and equity investments to be made by San Leon in Energy Link Infrastructure (Malta) Limited ("ELI"). The parties are now engaging with their respective advisers to prepare the necessary transaction documentation (including publishing an AIM admission document, given that the Potential Transaction will be classified as a reverse takeover under the AIM Rules for Companies (the "AIM Rules")) and to carry out due diligence. In accordance with Rule 14 of the AIM Rules, the Company's ordinary shares will remain suspended from trading on AIM until such time as either an AIM admission document is published or an announcement is released confirming that the reverse takeover in contemplation is not proceeding.

On 20 September 2021, the Company announced the extension of the Conditional Payment Waiver to 30 September 2021. The Board is in discussions with MLPL, Midwestern and Martwestern in relation to a further extension of the Conditional Payment Waiver.

ELI Loan Repayment

On 9 August 2021, the Company announced that it had agreed with ELI that, should the further investments be made as described in Note 9, then the first instalment due under the ELI Loan Notes of approximately US$2.2 million, which became due in August 2021, will be offset from any investment monies payable to ELI by San Leon, under certain of these new arrangements. Pending any further investment in ELI, the first instalment will continue to accrue interest at 14% per annum.

Directorate Change
On 2 August 2021 the Company announced that it had accepted the resignation of its Chief Financial Officer and Executive Director, Lisa Mitchell, who is leaving the Company to take up a new role. Lisa will remain in her position and as a member of the Board for the time being while the Company continues to progress its proposed transactions with Midwestern Oil and Gas Company Limited and Energy Link Infrastructure (Malta) Limited, as described in the Company's recent announcements.

Gemini Energy B.V. / NSP Investments Holdings Ltd
On 10 September 2021, Gemini completed the transfer of NSP’s 35% holdings of both TSH and Poznan, detailed in Related Party Note 20, from NSP to Gemini.

The transfer would not have been completed without the Company’s cooperation as it held pledges over the 35% interests as security for amounts owed to the Company by NSP. San Leon agreed to the transfer of the shares from NSP to Gemini, when Gemini offered and agreed to pay the Company:

(i) US$1.5 million by no later than the first anniversary of the transfer of the TSH Shares to Gemini; and
(ii) an additional payment of US$2.1 million under the terms of a net profits interest agreement to be entered into on and subject to completion of the acquisition of the TSH Shares. Payments from this net profits agreement are subject to sufficient resources being available and other conditions.

The Company has also put new pledges in place on the 35% interests of both TSH and Poznan as a form of security in case of non-payment by Gemini of amounts agreed.