



Friday 30 September 2011

San Leon Energy Plc

Interim Results for the six months ended 30th June 2011

San Leon Energy Plc (“San Leon”), the AIM-traded oil and gas exploration and development Company focusing on projects in Poland, Morocco, Albania and the Atlantic Margin, is today pleased to announce its interim financials for the six months to end June 2011.

Operational Highlights

We have had a very active first half in preparation for our forward exploration programme:

- Poland:
 - completion of the drilling and evaluation of the exploration well in the Nida Concession in September;
 - completion of the 2D seismic programme over the Gdansk W, Braniewo and Szczawno Concessions in June;
 - interpretation and prospect evaluation is ongoing of the Szczecinek Block 106;
 - completion by Acoustic Geophysical of 165 km² of 3D seismic on the Company's 100% owned Nowa Sol Concession; and
 - work is ongoing in the Carboniferous shale play across the Wschowa, Gora, Winko and Rawicz Concessions (San Leon 100%).

- Ireland:
 - San Leon completed a 250 km² 3D seismic survey on the North Porcupine Licence (FEL 1/04) in May 2011.

- Albania:
 - the 840 km² Durresi Block 3D seismic acquisition survey was completed in April 2011. The data is currently being processed by Western Geophysical in London, who are expected to deliver the final processed data in early Q4 2011.

- Morocco:
 - Novaseis has completed the 600km of seismic on the Tarfaya Licence and is now commencing acquiring 600km of seismic on the Zag licence.

Outlook for next 6 months

Poland

We are currently drilling both our unconventional shale gas and conventional oil plays in Poland and continuing with our strategy of trying to deliver near term cash flow through low cost exploration targeting shallow, oil plays whilst concurrently drilling the high impact and step-change value prospects in the Baltic and Carboniferous Basins.

We announced on 29 September 2011 the spudding of our first of three back to back wells in the Baltic Basin with Talisman Energy and are looking forward to the results.

The drilling location for our first Carboniferous unconventional gas well is currently being prepared in anticipation of spudding a well in the next month. A second well is also planned in late 2011 to early 2012 to extend the play fairway.

The first ever horizontal results in the Baltic basin have recently been announced by 3Legs Resources who reported sustained gas flows from multiple potential zones. The results from this first horizontal will lead to a decreased learning curve and we believe that the knowledge of this well and future wells will lead to significant gas production in Poland in the future. We have seen nothing to date that has indicated that this play will not work and in fact continue to get excited about the potential for big production in the coming years.

There will be a significant ramp-up in operational activity from other operators in Poland and this should lead to further derisking of the acreage and better understanding of the large upside potential of the play.

Realm acquisition

We are also delighted to have agreed terms to acquire Realm Energy International Corporation (“Realm”) which will add a further 464,919 acres leaving us with 1.7m net acres in our core areas of Poland in these very exciting plays. We look forward to a completion of the acquisition at the beginning of November. In addition, Realm’s recent award of 1.72m net acres in Spain provides us with new shale gas potential for future exploration making San Leon one of the leading shale gas land holders in Europe.

Albania

Final processing of the 840km² of 3D seismic survey that we shot in April 2011 is expected during October this year and the operational programme following this will be decided following a thorough analysis of this data.

Ireland

We are currently seeking farm-in partners for the Slyne licence and have opened a data room to facilitate this process. Several companies are reviewing data and we will update the market as appropriate.

Processing of the recently acquired 3D seismic survey over the C1/Conemara area is near completion and in Barryroe we are also awaiting final processed volumes very soon.

Morocco

The Novafor Rig is currently on the Tarfaya Well A location in preparation to run an injection and frac tests of the oil shale. The test will be monitored with Microseismic to determine fracture pattern. Once the test is complete we will drill Tarfaya Well C and core. We will then start our injection process between the three wells. This should take place at the end of a three weeks.

Financial Review

San Leon made a profit before tax of €1.48m for the six months to 30 June 2011, compared to a loss of €1.7m in the six months to 30 June 2010. The earnings per share for the period were 0.19 cents (H1 2010: loss per share of 0.49 cents).

Administrative expenses have been reduced to €1.74m from €2.4m in the corresponding period last year. This reduction includes the effect of acquisition costs of Island Oil and Gas Plc of €480,000 incurred in the 2010 period.

Other income of €3.49m is in relation to the payment received from OMV when the latter relinquished their interest in the Rockall licence, Offshore Ireland in March 2011. Other income in 2010 of €1.5m related to amounts received from Talisman Energy on the Baltic Basin licence farm out agreement.

Finance costs for the six months were €679,000 compared to €409,925 in the comparative period. This increase is primarily due to interest on the Delta Hydrocarbons BV loan which is included in the results for the full six months to 30 June 2011, interest charges on other loans have decreased as a result of planned debt repayments from the proceeds of the December 2010 equity placing.

Cash and cash equivalents as at 30 June 2011 amounted to €42.2m.

Oisín Fanning, Chairman of San Leon said:

“No single well result in Poland or any analysis of data across a number of our assets has changed our view. In fact very much the opposite; in both Poland and elsewhere we are more convinced than ever that San Leon is on the cusp of proving what the Board has always believed that our assets are world class.

Whilst we are in very difficult macro-economic and market conditions we are still well placed to deliver results for our shareholders as we have both the team and the funding in place and are at that all important inflexion point of creating value through the drill bit.

We thank you for your continued support.”

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The interim results are available from the Group's website www.sanleonenergy.com

Qualified person

John Buggenhagen, who has reviewed this update, has over 15 years experience in the oil & gas industry. He has a Ph.D. and M.Sc. in Geophysics from the University of Wyoming and a B.Sc. in Geophysics from the University of Arizona. He is currently the Director of Exploration for the San Leon Energy Group and based in San Leon's Warsaw office in Poland.

The following financial information on San Leon Energy Plc represents the Group's interim results for the 6 months ended 30 June 2011.

Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	Un-audited 30/06/11 €	Un-audited 30/06/10 €	Audited 31/12/10 €
Revenue		517,649	131,163	592,047
Cost of sales		(269,076)	(490,720)	(447,750)
Gross Profit / (Loss)		248,573	(359,557)	144,297
Administrative Expenses		(1,743,858)	(2,434,231)	(4,215,347)
Other income	2	3,492,434	1,500,000	1,501,100
Operating profit/(loss)		1,997,149	(1,293,788)	(2,569,950)
Finance expense		(679,238)	(409,925)	(1,414,193)
Finance income		161,614	3,308	8,825
Profit/(Loss) before income tax		1,479,525	(1,700,405)	(3,975,318)
Income tax		-	(1,066)	(1,057)
Profit/(Loss) for the period		1,479,525	(1,701,471)	(3,976,375)
Earnings / (Loss) per share (cent):				
Earnings / (Loss) per ordinary share – basic		0.19c	(0.49)c	(1.02)c
Earnings / (Loss) per ordinary share – diluted		0.18c	(0.49)c	(1.02)c

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Un-audited 30/06/11 €	Un-audited 30/06/10 €	Audited 31/12/10 €
(Loss) for the period attributable to equity holders of the parent	1,479,525	(1,701,471)	(3,976,375)
Currency translation adjustments	207,606	817,053	382,768
Total comprehensive profit/loss for the period	1,687,131	(884,418)	(3,593,607)

Consolidated Balance Sheet

As at 30 June 2011

	Notes	Un-audited 30/06/11 €	Un-audited 30/06/10 €	Audited 31/12/10 €
Assets				
Non-current assets				
Intangible Assets	3	88,578,445	67,958,473	76,064,855
Property, plant and equipment	4	8,761,217	1,363,900	2,398,186
Total non-current assets		97,339,662	69,322,373	78,463,041
Current assets				
Trade and other receivables	5	6,573,651	1,097,175	1,593,592
Other financial assets	6	1,379,193	1,654,619	1,491,802
Cash and cash equivalents		42,213,207	485,416	67,168,659
		50,166,051	3,237,210	70,254,053
Total assets		147,505,713	72,559,583	148,717,094
Equity and Liabilities				
Capital and Reserves				
Called up Share Capital	10	39,561,576	20,150,474	39,099,780
Share premium account	10	91,655,978	37,224,020	91,589,215
Share based payment reserve		2,984,440	2,321,035	3,417,145
Currency translation reserve		590,374	817,053	382,768
Retained loss		(11,034,580)	(11,024,836)	(13,262,316)
Total equity attributable to equity Holders of the Company		123,757,788	49,487,746	121,226,592
Non-Current Liabilities				
Provisions		5,345,211	4,666,428	5,345,211
Other loans	9	4,055,984	13,073,643	7,886,287
		9,401,195	17,740,071	13,231,498
Current Liabilities				
Loans and borrowings	8	4,922,082	718,546	8,499,487
Trade and other payables	7	9,424,648	4,613,220	5,759,517
		14,346,730	5,331,766	14,259,004
Total Liabilities		23,747,925	23,071,837	27,490,502
Total Equity and Liabilities		147,505,713	72,559,583	148,717,094

Consolidated Statement of Changes in Equity

As at 30 June 2011

	Share Capital €	Share premium account €	Share based payment reserve €	Currency translation reserve €	Retained earnings €	Total Equity €
2010						
Balance at 1 Jan 2010	16,059,196	23,976,523	2,321,035	-	(9,323,365)	33,033,389
Total comprehensive income for year						
(Loss) for the year	-	-	-	-	(3,976,375)	(3,976,375)
Other comprehensive income						
Foreign currency translation differences	-	-	-	382,768	-	382,768
Total comprehensive income for year	-	-	-	382,768	(3,976,375)	(3,593,607)
Transactions with owners recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	23,040,584	67,612,692	-	-	-	90,653,276
Share based payment	-	-	1,133,534	-	-	1,133,534
Effect of share options exercised	-	-	(37,424)	-	37,424	-
Total transactions with owners	23,040,584	67,612,692	1,096,110	-	37,424	91,786,810
Balance at 31 December 2010	39,099,780	91,589,215	3,417,145	382,768	(13,262,316)	121,226,592
2011						
Balance at 1 January 2011	39,099,780	91,589,215	3,417,145	382,768	(13,262,316)	121,226,592
Total comprehensive income for year						
Profit for year	-	-	-	-	1,479,525	1,479,525
Other comprehensive income						
Foreign currency translation differences	-	-	-	207,606	-	207,606
Total comprehensive income for period	-	-	-	207,606	1,479,525	1,687,131
Transactions with owners recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares	461,796	66,763	-	-	-	528,559
Share-based payment	-	-	315,506	-	-	315,506
Effect of share options exercised	-	-	(748,211)	-	748,211	-
Total transactions with owners	461,796	66,763	(432,705)	-	748,211	844,065
Balance at 30 June 2011	39,561,576	91,655,978	2,984,440	590,374	(11,034,580)	123,757,788

Consolidated Cash Flow Statement

For the six months ended 30 June 2011

	Un-audited 30/06/11 €	Un-audited 30/06/10 €	Audited 31/12/10 €
Cash flows from operating activities			
(Loss) for the period before taxation	1,479,525	(1,700,405)	(3,975,318)
Finance costs	679,238	422,114	1,414,193
Finance Income	(161,614)	(3,308)	(8,825)
Loss on disposal of property, plant and equipment	-	-	5,089
Depletion and depreciation	32,768	388,094	55,316
Foreign Exchange	-	-	(6,624)
Share based payment reserve	85,434	-	428,438
Working capital adjustments			
(Increase) / decrease in debtors	(4,980,059)	(1,725,169)	(760,769)
Increase / (Decrease) in creditors	3,665,132	306,981	891,230
	800,424	(2,311,693)	(1,957,270)
Corporation tax	-	(5,514)	(2,870)
Net cash flows generated from / used in operating activities	800,424	(2,317,207)	(1,960,140)
Cash flows from investing activities			
Interest Received	161,614	3,308	8,825
Purchases of property, plant and equipment	(6,376,283)	(137,109)	(2,225,931)
Expenditure on exploration and evaluation assets	(12,324,032)	(1,251,900)	(7,310,595)
Acquisition of subsidiary, net cash acquired	-	244,092	244,092
Net cash used in investing activities	(18,538,701)	(1,141,609)	(9,283,609)
Cash flows from financing activities			
Proceeds from issue of share capital	528,559	2,265,914	75,140,429
Proceeds from drawdown of other loans	-	-	2,343,321
Interest paid	(183,538)	(273,686)	(520,566)
Repayment of convertible loan	(2,150,000)	(200,000)	(600,000)
Repayment of other loans	(4,989,151)	-	-
Net cash generated in financing activities	(6,794,130)	1,792,228	76,363,184
Net (decrease) / increase in cash	(24,532,407)	(1,666,588)	65,119,435
Effect of foreign exchange fluctuation on cash and cash equivalents	(423,045)	13,916	66,705
Cash and cash equivalents at start of period	67,168,659	2,138,088	1,982,519
Cash and cash equivalents at end of period	42,213,207	485,416	67,168,659

Notes to the Interim Financial Information

1. Basis of preparation and accounting policies

The Group interim financial information has been prepared in accordance with International Financial Reporting Standards and the accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2010.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010 which are available on the Group's website www.sanleonenergy.com.

The interim consolidated financial statements are presented in Euro ("€").

2. Other income

In January 2011, OMV (Ireland) Killala Exploration GmbH ("OMV") paid £3 million to San Leon after its removal from the Irish Continental Petroleum Exploration Licence No: 3/05 (the "Rockall Licence"). OMV assigned its 50% interest in the licence to San Leon who now hold a 100% interest in this licence.

3. Intangible assets

Cost and net book value	Exploration and evaluation assets	Royalty Interests	Total
	€	€	€
At 1 January 2010	35,535,470	943,030	36,478,500
Acquisitions through business combinations	28,518,530	2,829,090	31,347,620
Additions	7,658,282	778,236	8,436,518
Exchange Rate adjustment	142,918	10,846	153,764
Reclassification from property, plant and equipment	42,961	-	42,961
Reclassification to other financial assets	(394,508)	-	(394,508)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	71,503,653	4,561,202	76,064,855
Additions	12,534,442	-	12,534,442
Exchange rate adjustment	(20,852)	-	(20,852)
	<hr/>	<hr/>	<hr/>
At 30 June 2011	84,017,243	4,561,202	88,578,445

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

	30/06/2011
	€
Poland	11,167,262
Morocco	31,548,248
Ireland	33,276,734
Other areas	8,024,999
Total	<hr/>
	84,017,243

The Directors have considered the licence, exploration and appraisal costs capitalised in respect of its exploration and evaluation assets, which are carried at historical cost. Those assets have been assessed for impairment and in particular with regard to remaining licence terms, likelihood of licence renewal, likelihood of further expenditures and on-going appraisals for each year. The directors are satisfied that there are no current indications of impairment, but recognise that the future realisation of these exploration and evaluation assets is dependent on future successful exploration and appraisal activities and the subsequent economic production of oil and gas reserves.

4. Property, plant and equipment

	Plant & Equipment €	Office Equipment €	Motor vehicles €	Total €
Cost				
At 1 January 2010	-	197,707	25,903	223,610
Additions	2,358,903	21,983	-	2,380,886
Exchange rate adjustment	-	640	1,792	2,432
Reclassification to exploration and evaluation assets	-	(111,140)	-	(111,140)
Disposals	-	(19,197)	-	(19,197)
At 31 December 2010	2,358,903	89,993	27,695	2,476,591
Additions	6,178,693	143,291	73,960	6,395,944
Exchange rate adjustment	-	(95)	(106)	(201)
At 30 June 2011	8,537,596	233,189	101,549	8,872,334
Depreciation				
At 1 January 2010	-	104,066	894	104,960
Disposals	-	(14,108)	-	(14,108)
Exchange rate adjustment	-	387	29	416
Reclassification to exploration and evaluation assets	-	(68,179)	-	(68,179)
Charge for period	26,230	23,547	5,539	55,316
At 31 December 2010	26,230	45,713	6,462	78,405
Charge	18,490	13,634	644	32,768
Exchange rate adjustment	-	(31)	(25)	(56)
At 30 June 2011	44,720	59,316	7,081	111,117
Net book value				
At 30 June 2011	8,492,876	173,873	94,468	8,761,217
At 31 Dec 2010	2,332,673	44,280	21,233	2,398,186

Property, plant and equipment include assets under development on the Group's Oil Shale Project which are carried at an un-depreciated cost €4,427,688 (31 Dec 2010: €2,280,211).

5. Trade and other receivables

	Un-audited 30/06/11	Un-audited 30/06/10	Audited 31/12/10
	€	€	€
Trade Receivables	1,913,434	215,232	1,392,064
Prepayments & other debtors	3,680,283	745,141	138,529
Vat recoverable	979,934	133,144	62,999
Corporation tax	-	3,658	-
	<u>6,573,651</u>	<u>1,097,175</u>	<u>1,593,592</u>

6. Other financial Assets

	Un-audited 30/06/11	Un-audited 30/06/10	Audited 31/12/10
	€	€	€
Restricted cash at bank	1,379,193	1,654,619	1,491,802
	<u>1,379,193</u>	<u>1,654,619</u>	<u>1,491,802</u>

Restricted cash at bank relates to deposit accounts held in support of bank guarantees required under the Moroccan exploration licences held by the group.

7. Trade and other payables (Due within one year)

	Un-audited 30/06/11	Un-audited 30/06/10	Audited 31/12/10
	€	€	€
Trade creditors	7,670,399	3,260,354	2,119,563
Corporation tax	2,635	-	4,376
PAYE / PRSI	62,993	13,583	301,250
Other creditors	907,331	1,030,672	268,171
Accruals	781,290	308,611	3,066,157
	<u>9,424,648</u>	<u>4,613,220</u>	<u>5,759,517</u>

8. Loans and borrowings (Due within one year)

	Un-audited 30/06/11	Un-audited 30/06/10	Audited 31/12/10
	€	€	€
Convertible loan note	-	-	2,150,000
Other loans	477,638	-	2,555,911
Amounts due to Delta Hydrocarbons B.V.	4,444,444	-	2,296,794
Amounts due to Mr. Philip Thompson	-	718,546	1,496,782
	<u>4,922,082</u>	<u>718,546</u>	<u>8,499,487</u>

9. Loans and borrowings (Due after one year)

	Un-audited 30/06/11 €	Un-audited 30/06/10 €	Audited 31/12/10 €
Convertible loan note	-	2,550,000	-
Amounts due to Delta Hydrocarbons B.V.	4,055,984	10,183,100	7,546,607
Other loans	-	340,543	339,680
	<u>4,055,984</u>	<u>13,073,643</u>	<u>7,886,287</u>

10. Share capital

	Un-audited 30/06/11 €	Un-audited 30/06/10 €
Authorised		
1,500,000,000 Ordinary shares of €0.05 each (30 June 2010: 750,000,000)	<u>75,000,000</u>	<u>37,500,000</u>

Issued share capital

	No. Ordinary Shares	Share capital €	Share premium €
At 1 Jan 2010	321,183,913	16,059,196	23,976,523
Issued in year	460,811,698	23,040,584	73,476,114
Share issue costs	-	-	(5,863,422)
	<u>781,995,611</u>	<u>39,099,780</u>	<u>91,589,215</u>
At 31 Dec 2010	781,995,611	39,099,780	91,589,215
Issued in period	9,235,918	461,796	483,582
Share issue costs	-	-	(416,819)
	<u>791,231,529</u>	<u>39,561,576</u>	<u>91,655,978</u>
At 30 June 2011	791,231,529	39,561,576	91,655,978