Annual Report and Accounts | 2009

SAN LEON ENERGY

OUR MISSION STATEMENT

To exploit our portfolio of assets to create revenue and wealth.

The San Leon Group is an international group of companies focussed on the exploration and production of oil and gas projects in Poland, Ireland, Italy, Morocco, Netherlands and North America.


Ejdira Pass road shales

The Company was incorporated in 1995 as an oil and gas exploration company. Between 1995 and 2007, its principal activity was to act as an investment vehicle. In October 2007 the Company acquired its first exploration assets, situated in Morocco.

With new management, investment and a strategy of balanced acquisition and exploration, the Company has established the portfolio of assets described in the following document.

Also in 2007, San Leon embarked on a strategic initiative by bringing in new management and investment and has actively developed a portfolio of licences and lease interests through subsidiary operations in several countries. The Company's headquarters are in Dublin with Corporate and Operations Offices in London, Warsaw, Italy and Denver. In September 2008, the company listed on the London Stock Market (AIM).

To maximise value and investment, the company's objective is to differentiate itself from other oil and gas exploration companies by becoming a producer quickly and being recognised as a proactive, energetic and self-supporting entity.


Oum Doul view

Board of Directors

The Board of Directors comprises individuals with extensive international oil and gas experience and commercial expertise. The technical team includes CEO Philip Thompson and Non-Executive Directors Dr. Jeremy Boak, Shaun Hennessy and John Buggenhagen who between them have extensive experience in petroleum geophysics and geology.

The Board is chaired by Oisín Fanning and the other Directors are Paul Sullivan (Commercial Director), Charles McEvoy (Operations Director) and Ray King (Company Secretary). (see Director Profiles elsewhere in this Report).

Corporate Strategy

SLE's focus is on strong management, financial discipline and technical expertise. It has used its shares to make strategic acquisitions during the market turmoil (e.g. Gold Point Energy Corp & Island Oil & Gas Plc) to access assets in Poland, the Atlantic Margin, Morocco and the Celtic Sea.

Its strategy is based on:

- Major Licence Development
  – acquire and develop major licences in geologically important basins through joint ventures and governmental partnerships
- Cash Flow Generation
  – acquire smaller low-risk properties for near term cash flow to pay overheads and fund major licence improvement
- New Technology usage to unlock value
  – use specialist oil and gas technology to exploit large production volumes from unconventional sources
- Proven Management Team
  – use the expertise and experience of proven oil and gas exploration professionals to maximize the potential of its assets.

Development Strategy

The development strategy of the Company is focused on:

- Building a diverse portfolio of assets with a focus on managing risk.
- Developing a high potential asset base in low-risk countries (Poland, Morocco, Italy, Ireland and The Netherlands).
- Creating a robust portfolio of varying sized licences and prospects.
- Accumulating oil and gas production through partnership structures and agreements.
- Continuing to identify and sign high reward exploration licences and establish relationships with the resource experience to assist in the development of licence areas.
- Create a fundraising capability to explore the high revenue wells and other prospects being evaluated.

Summary of Current Assets

Location	San Leon Interest %	Location	San Leon Interest %
Poland		**Morocco**	
W Gdansk, Braniewo and Szczawno	60*	Tarfaya	52.5
Szczecinek	50	Tarfaya Oil Shale	75
Nowa Sol and Wschowa	100	ZAG	52.5
Nida	100	Foum Draa	42.5
		Sidi Moussa	42.5
Ireland		**Italy**	
Seven Head	12.5	Sicily	100
Old Head Kinsale	65	Po Valley	100
Schull	62.5	**Albania**	
Barryroe	30	Durresi Block	75
Slyne	50	**Netherlands**	
Rockall	50	Amstel	2.5**
Connemara	41.5	**USA**	
South Porcupine	50	Denver Basin	100

* Subject to Talisman exercising option
** Royalties

Oisín Fanning – Executive Chairman
Oisín Fanning has almost thirty years' experience in structured finance, stock broking and corporate finance, with eleven years specialising in the oil and gas industry.

Formerly CEO of Astley & Pearce Ltd., MMI Stockbrokers and Smart Telecom Plc, he was closely involved with the restructuring of Dana Petroleum Plc in the early '90s and was a major supporter of Tullow Oil Plc in its infancy.

Philip Thompson – Chief Executive Officer
A highly qualified geophysicist – he holds both a B.Sc and M.Sc in Geophysics – Philip Thompson has over twenty six years' experience in the oil and gas industry in North and South America, Africa and Europe.

He had a significant involvement in oil and gas discoveries and field developments in Chad, offshore Holland, onshore USA and offshore Ireland.

He also had extensive project management, new ventures and geophysical experience with Exxon, Anadarko (formerly Oryx Energy) and Vanco Energy.

Paul Sullivan – Commercial Director
Paul Sullivan had substantial banking experience over a 30-year period before joining San Leon as Commercial Director.

In previous positions, he gained extensive Corporate Treasury and Operations experience through senior appointments with leading financial institutions. These included Nordbanken NY, Standard Chartered Bank, Dublin and BNP Paribas in Dublin.

He also has a background and interest in geology.

Charles McEvoy – Operations Director
Charles McEvoy has over 28 years Business Development, Sales and Marketing and Operations experience from within the manufacturing and service industries at international level. He has specialised in business start-ups and restructuring and was global account manager for Intel and European Operations Vice-President with ADT.

He was also involved in the restructuring of eircom and other Irish businesses.

Ray King – Company Secretary
Ray King is a highly qualified Chartered Secretary, Compliance Officer, Information Technologist, Banker and Accountant with considerable experience in IT and Finance.

A Chartered Secretary for 40 years, much of it with a large City bank, he has acted as Company Secretary and in various senior executive and non-executive director roles of companies which have been brought to the A.I.M., Nasdaq and OFEX.

Dr. Jeremy Boak – Non-Executive Director
Director of the Centre for Oil Shale Technology and Research (COSTAR) at the Colorado School of Mines, he chairs the leading international symposium on oil shale development and the Oil Shale Committee of the Energy Minerals Division (EMD) of the American Association of Petroleum Geologists (AAPG).

He was formerly Project Manager at Los Alamos National Laboratory, Branch Chief at the U. S. Department of Energy, and exploration and development geologist for ARCO Oil & Gas Company.

Affiliated with AAPG, EMD, and the Geological Society of America, Dr. Boak is extensively published and has a Ph.D. and B.A. in Geology from Harvard University and an M.S. in Geology from the University of Washington.

Shaun Hennessy – Non-Executive Director

A Chartered Engineer with over 30 years' experience in the oil and gas sector, he has developed and managed projects in the UK North Sea, Africa, Middle East, Far East and Northern Russia in that time.

Managing Director of a project management consulting group, he has led projects from the feasibility stage through design and construction and into operations. These include 200,000bopd and 100MMscfd sub-sea gas production systems in the Middle East and Europe respectively.

He joined the Board of San Leon Energy plc in 2009 as a Non-Executive Director.

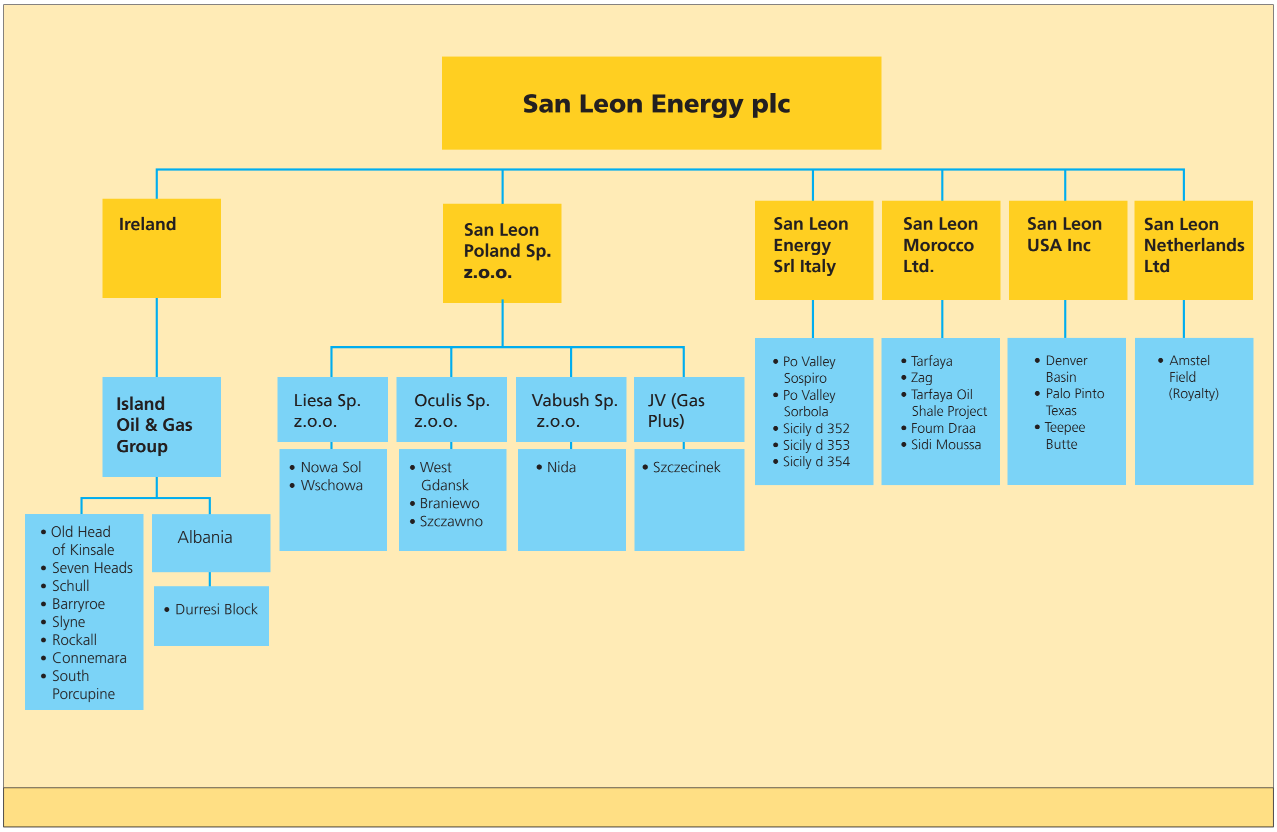
John Buggenhagen – Vice-President of Exploration

An experienced exploration Geophysicist and proven oil finder. He has experience as a prospect generator on the North Slope of Alaska with ARCO Alaska and in new ventures exploration in Europe with Aspect Energy.

Recently John worked as European Exploration Manager for Aspect Energy and Hungarian Horizon Energy; and as Vice President of Exploration for Gold Point Energy Corp.

He joined San Leon Energy plc. in 2009 as Vice President of Exploration and also heads San Leon Energy's technical office in Warsaw, Poland.

John has a B.S. in geophysics from the University of Arizona, and a M.S. and Ph.D. in geophysics from the University of Wyoming.



As part of the dynamic and competitive environment of the global oil and gas exploration industry, I am pleased to report that your Company has made significant progress over the past twelve months.

We have taken advantage of the current market turmoil by using our stock wisely to make strategic acquisitions in Poland, Morocco and Ireland (including the Atlantic Margin and Celtic Sea). This strategy has positioned San Leon for significant growth in the near term, with a high potential asset base in low risk countries.

At our inception, we set out to build a diverse portfolio of assets with a focus on managing risk. Our objective is to aggressively move from exploration to production with a focus on generating wealth for our shareholders. We continue to focus on strong management, financial discipline and technical expertise to minimise risk to our shareholders by encouraging long-term inward investment.

The acquisition of Gold Point Energy (GPE) greatly enhanced our portfolio in 2009 with the addition of significant, high potential shale gas concessions in Poland's Baltic Basin. This has already led to considerable activity, and daily media attention based upon our substantial interests in an area which has been conservatively estimated to have the potential to change the face of gas supply in Europe.

The joint venture farm-out agreement we entered into with Talisman Energy in Poland is a clear example of our focused approach. Acknowledged as one of the world's leading shale gas operators, Talisman, a multibillion dollar organisation, has committed to a significant investment and will drill a minimum of three wells and up to six wells to prove a major shale gas play on our three Baltic Basin concessions. As part of the deal, San Leon will receive a 40% free carry on the 600,000 acres which represents a potentially massive generator of revenue in the future, an arrangement which should be viewed effectively as an investment in our company.

Our ongoing relationship with Petroleum Geo-Services (PGS) will be significant to San Leon in the months and years ahead by increasing the value of our exploration based assets. A world leader in its seismic acquisition, PGS provides us with a $50m facility for seismic services which will cover up to 50% of any seismic activity we need to undertake. This will be paid for through the issuance of SLE stock.

Our acquisition of Island Oil & Gas (IOG) will prove to be another critically important step forward. A grossly undervalued operation with world class exploration assets, IOG gives us increased interests in the Tarfaya and Zag licences in Morocco, and two new offshore Morocco licences, including 5,260sq. km. of 3D seismic (valued at today's prices at over $50m). Each of these turbidite fans have exciting short-term potential with each estimated to yield up to a half a billion barrels.

The IOG acquisition includes four licences in the Celtic Sea (including interest in the producing Seven Heads gas field with many additional perforation opportunities to extend the field's life). In addition we obtained five exploration licenses on Ireland's Atlantic Margin.

After in-depth evaluation by our newly-appointed Vice-President – Exploration Dr. John Buggenhagen (and his Warsaw subsurface team), the Atlantic Margin licences are considered to have the potential that the North Sea presented 40 years ago.

We have reserves of up to 60m barrels in one licence there, which on its own does not justify a development, but should larger fields be developed in the area it should yield a significant upside. We are particularly excited by the Porcupine C1 prospect which has the potential for over one billion barrels of oil in place.

With Exxon and ENI due to drill in the Atlantic Margin this year, the enormous potential is evident and we will be conducting seismic with PGS over the coming 12 months. When that is complete, we plan to identify farm-in partners to minimise risk to our shareholders.

Morocco also continues to provide exciting potential including our Tarfaya oil shale project which is well underway. The necessary equipment has been purchased and is on its way to Morocco, construction will start on site shortly and our oil shale plant will be operational by early 2011. Through innovative engineering and diligent procurement we have reduced the budget for our pilot plant from $4.6 to $2.0m.

In Italy, our focus is on the Narciso Field offshore Sicily where seismic was scheduled for mid-2010 and drilling to commence by the end of the year. The Louisiana oil disaster in the USA has created difficulties for the 22 operators working offshore Italy, all of whom are discussing the resulting impact. Over the coming months we would hope to work closely with the various Italian government authorities and cooperate fully with protecting the environment.

By comparison with our concessions in Europe and North Africa, our US projects are becoming a distraction to our progress due to their limited potential. With low gas prices in the US, it has been decided not to drill additional wells there in 2010 as the return on investment does not make commercial sense. Instead, the management team is giving serious consideration to packaging the licences and selling them or letting the leases lapse to allow the company concentrate on the licences with real revenue-earning potential.

The management team has been strengthened with the addition of non-executive director Shaun Hennessey and Vice-President of Exploration John Buggenhagen, both of whom bring extensive international oil & gas experience to our company.

The Board continues to be focused, and prudent expenditure has allowed us to expand and create value while the future looks increasingly positive. San Leon Energy is in a very healthy position and looking forward to another year of substantial progress.

Within the investment community, our portfolio is considered one of the most diverse with high potential and wide-ranging mix of geographies, exploration and technology plays. According to leading analysts, our portfolio makes our company attractive to a variety of potential partners and investors who can see the value in individual or groups of assets.

Our strategy, both in terms of expanding the company and in monetising assets, is viewed by independent observers as being aggressive; traits which they have confirmed as 'admirable' and 'most effective' in what is still a very challenging market for smaller companies. With this expansion and the working capital facility provided to Island Oil & Gas in 2009, we have shown a loss for the year (see later in the report). The development of the portfolio has been driven with value and near term production in mind and the already expressed determination to ensure success. Our development plan is on track and the evidence is shown herein.

It is particularly satisfying to the Board that Stock Market analysts see San Leon Energy as a company with clear strategies, good assets and a proven management team that should prove to be an attractive investment opportunity. That they have confidence in our ability not only to run the business but develop shareholder value is greatly appreciated.

Oisín Fanning
CHAIRMAN

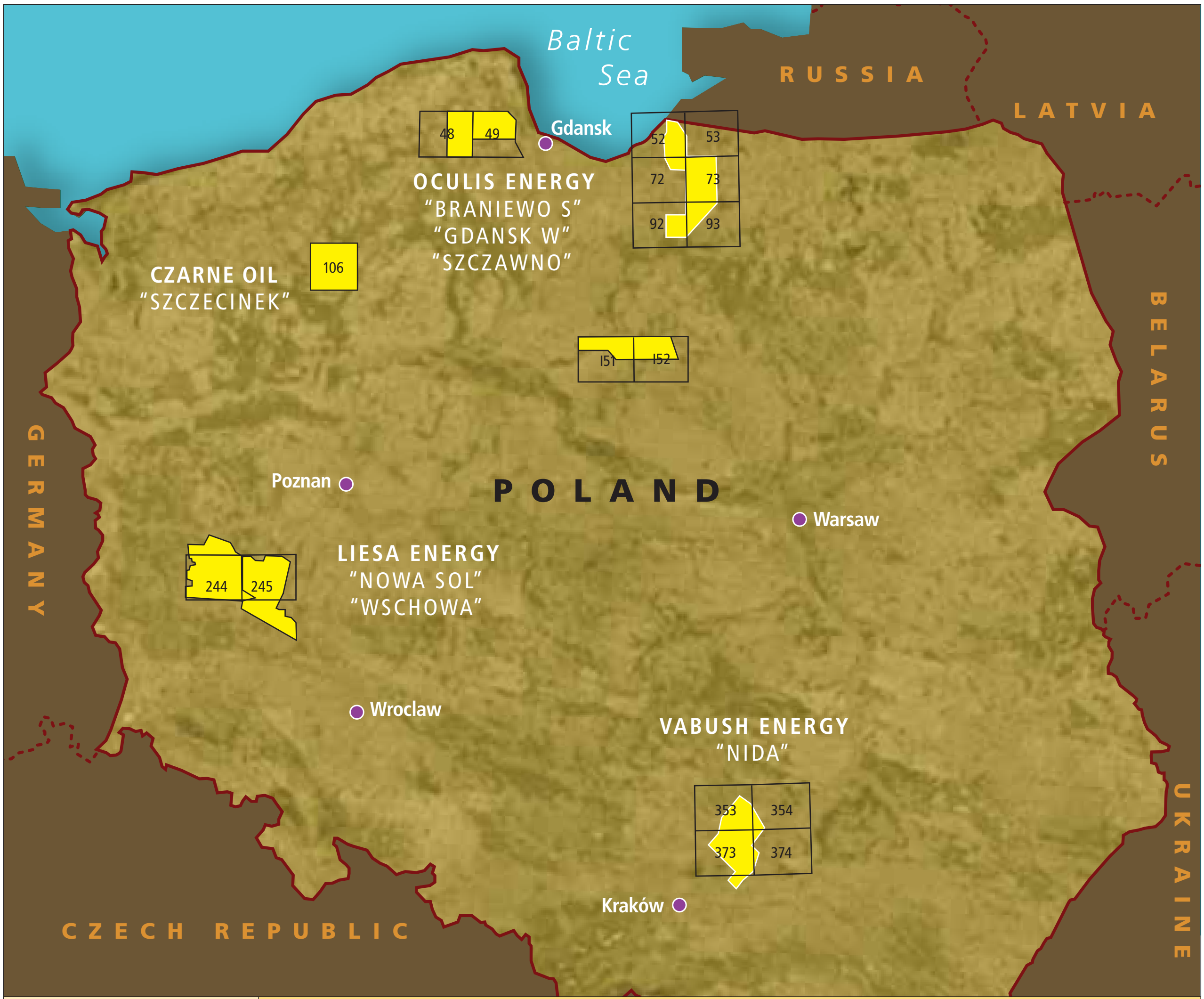
18 June 2010

Given the ever increasing need for energy to fuel its growing economy, Poland is regarded as an attractive place for petroleum exploration.

Some two-thirds of its energy is imported from Russia and to avoid such dependence, the Polish Government is actively encouraging foreign investment to tap the potential that exists in various parts of the country.

San Leon is accepted as a significant player in the Polish market, with interests in six licence areas and the potential for substantial revenue generation through the joint venture farm-out agreement with Talisman Energy.

The acquisition of Gold Point Energy (GPE) in 2009 adds valuable shale gas concessions in the Baltic Basin to the SLE portfolio and it is estimated that they have the potential to change the face of gas supply in the future.



Overview of San Leon's Polish interests

Talisman Energy

The joint venture farm-out agreement with Talisman Energy in Poland is recognised by industry analysts as a particularly astute business move.

Talisman is viewed as the leading international shale gas player and has made a significant investment and is committed to drilling a minimum of three wells and up to six wells to prove the shale gas play on our three licences in the Baltic Basin covering some 600,000 acres. San Leon receives a 40% free carry with this arrangement which is effectively an inward investment in the company.

Under the terms of the deal, Talisman will:

- Pay SLE €1.5M cash
- (with PGS) pay 100% initial 2D seismic programme (over 450km)
- Drill one well per concession to earn 30% interest
- Drill at least one 1,000m horizontal with two optional 500m horizontals proposed
- Have the option to earn an additional 30% interest, with an additional well option per block

Baltic Basin

The Baltic Basin licences comprise 600,000 acres where SLE holds 100% of three concessions including Gdansk-W, Braniewo-S, Szczawno – with a pending application on the Czersk concession.

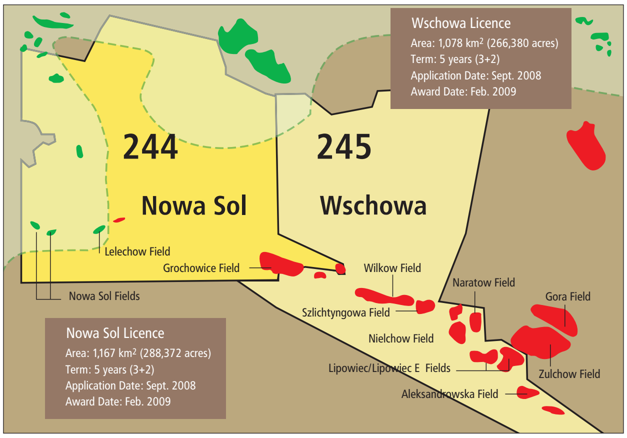
The work programme in the Baltic Basin includes 450 km of 2D seismic and three wells (up to 4500m) with a 1000 meter horizontal section on the Braniewo-S concession to be drilled over next two years. The initial drilling is expected Q2/Q3 2011.

Additionally, three optional wells with horizontal sections will be drilled on concessions after successful first phase of testing.

Initial technical evaluation of the shale gas potential in the Baltic Basin shows the play to have estimated reserves of 4 to 6 TCF of recoverable natural gas across San Leon's acreage. This represents a low risk scenario with excellent commercial gas potential.

Permian Basin South

SLE is currently engaged in a 5 year exploration and development program on its two concessions, Nowa Sol and Wschowa. Both concessions are on trend with prolific Rotliegendes gas and Zechstein oil production.



Nowa Sol contains four potentially under developed oil fields which SLE is currently evaluating for potential 3D seismic acquisition in 2010. It is believed that up to 500,000 BBLS of remaining oil can be recovered from these shallow known fields.

Some 3,000 km of 2D seismic and data from 90 wells are being evaluated.

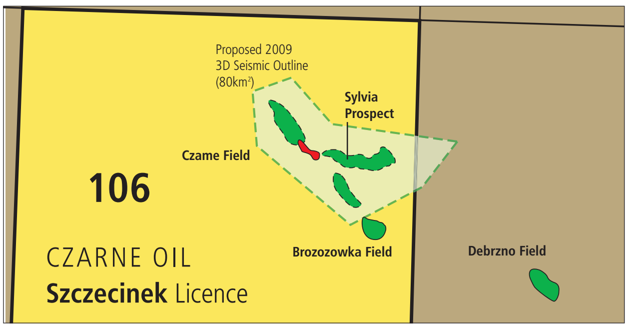
SLE's current technical evaluation also indicates that a significant unconventional gas play exists in the relatively untested Carboniferous section.

Permian Basin North

SLE's Szczecinek interests in the northern Permian Basin is also on trend with Zechstein oil production. SLE has a 50% interest in the 980 km^2 concession with its operating partner Gas Plus (50%).

The work programme for the concession includes the acquisition of 60km^2 3D seismic survey in Q3 2010 with drilling of the Sylvia prospect planned for 2011. Estimated reserves for Sylvia are 11.3 MMBOE.

The existing, unproduced Czarne gas field with estimated reserves of 12.4 BCFE adds additional upside to any development in this area.



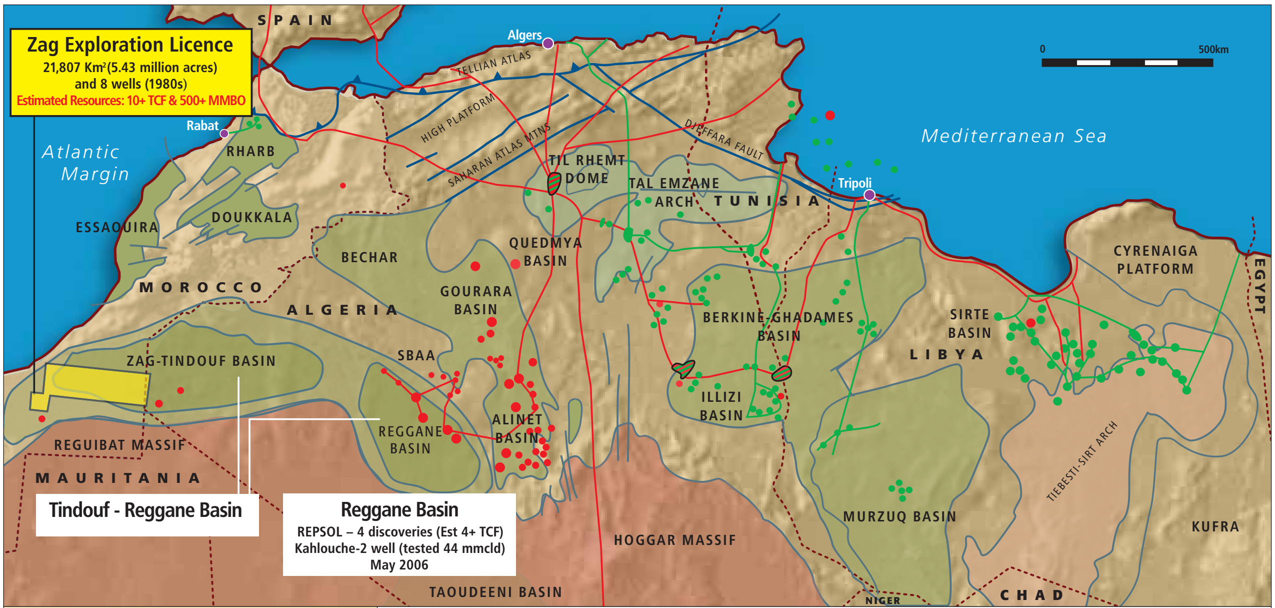
The long-term revenue-earning potential of San Leon's Moroccan portfolio (covering 13.4 million acres) was further enhanced during the year with the acquisition of Island Oil & Gas (IOG), a deal which gives the Company increased interests in the Tarfaya and Zag licence areas and two new offshore licences – Foum Draa and Sidi Moussa.

In addition to the two oil and gas exploration projects in the two major basins, San Leon also has a third, 6000m² interest in the Tarfaya Oil Shale area, a project which is now well underway. The licence, for a three year work programme, was signed in May 2009.

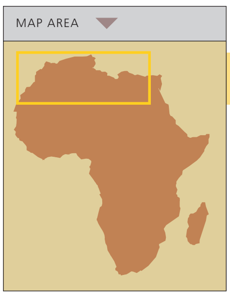
Tarfaya Oil Shale Project

Following completion of the first technical study at the end of 2008, optimisation and field analysis took place during 2009, with SLE's oil shale plant due to be operational by the end of 2010. Through careful ongoing procurement, the construction budget for the project will be less than half the estimated $4.6M.

Research indicates over 50 billion barrels recoverable (based on 62 litres per tonne) from this source and San Leon will implement an in-situ process for heat transfer to the shale pad at depth, and surface recovery of liberated kerogens and hydrocarbons.



Zag Licence within North-West African Petroleum System



Zag and Tarfaya Licences

The Zag and Tarfaya Basin licences, both 8-year licences, were signed in 2009 and 2008 respectively and the prospects are particularly encouraging, not least because Morocco offers excellent fiscal terms and SLE has established strong working relationships with the relevant authorities there.

The Zag Basin licence represents a 5.4 million acres (21,807m^2) area which has seen large gas discoveries to the east and south of the licence, with other major players already active in the area. It is part of a larger basin which contains 43% of the known oil and 84% of the known gas reserves of the entire North African region (some 460Bboe recoverable). Planned export pipelines to the European markets have renewed interest in the previously unexplored Zag-Tindouf Basin.

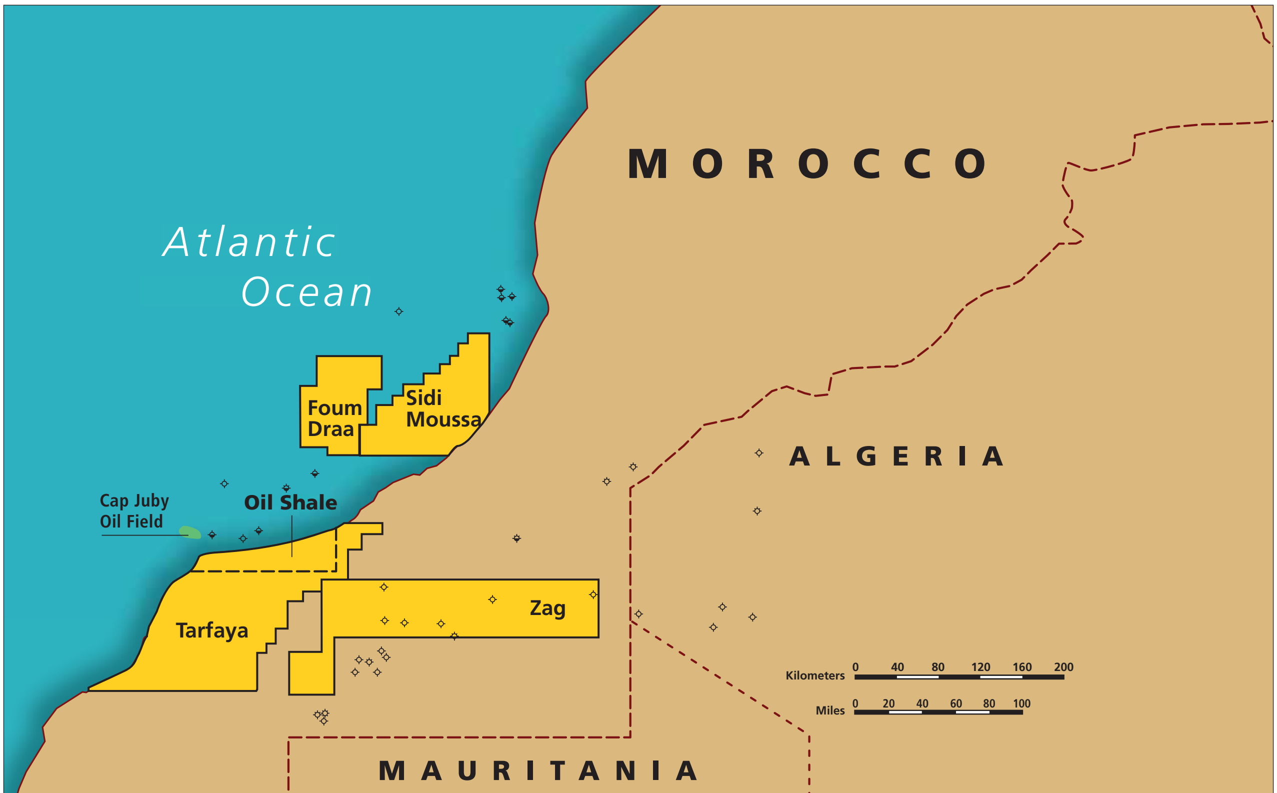
The work programme in Zag will include the acquisition of 500km^2 seismic in the second half of 2010 and drilling a well by 2011. Estimated resources in the licence area are 10+ TCF and 500+ MMBO.

In the Tarfaya Basin, SLE plans to add 500km^2 of 2D seismic to the seismic it already has in its database by the end of 2010, with the intention of drilling the following year. Discoveries in the Cap Juby offshore field and south of the SLE licence represent further encouragement while an NSAI report indicates up to 13.7 billion barrels OIP from 12 leads/prospects.

Foum Draa & Sidi Moussa

SLE's acquisition of Island Oil & Gas (IOG) included two contiguous offshore licences – Foum Draa and Sidi Moussa – amounting to 13,000km^2 sited in water depths between 100 and 2,000 metres.

3-D seismic had been shot over 3,800km^2 in Foum Draa and a further 1,460km^2 on Sidi Moussa, a total of 5260km^2 3-D seismic valued at today's prices at $50m. These licences have exciting short-term potential with each estimated to yield half a billion barrels.



Zag Basin Licence Areas

SLE has successfully acquired all five permits it applied for in Italy. Despite two of the permits being top-filed, the Italian Ministry ruled in favour of San Leon Energy SRL in January 2009. The Group was the subject of CIRM due diligence of its technical and financial strength and was successful in a competitive tender process against two established US companies.

The permits include three offshore licenses near Sicily and two onshore licenses in the Po Valley. The applications are published on the Italian BUIG.

Sicily – offshore permits

San Leon has three exclusive offshore permit applications off the coast of Sicily covering 1,821 km² in total (100% held by San Leon).

The Narciso Oil Field off the west coast Sicily was first discovered by AGIP in 1985. Initial tests flow-tested over 3,000 BOPD with a long term test which produced over 800,000 barrels in less than a year. AGIP gained Ministry approval in 1986 to produce oil from Narciso but with the collapse of oil to $10 a barrel at the time, it was no longer economic to develop the field and AGIP abandoned the site in the '90s.

LOCATION OF SLE LICENCES

A recent evaluation of the field by Fugro Robertson on San Leon's behalf reported mean reserves of 7.0 MMBO.

The Sicilian permits include:

- D352 CR-SL, an area comprising 358.5 km², located west of Sicily in the Canal Zone C, below the Egadi Islands;
- D353 CR-SL, an area comprising 226.2 km², located southwest of Sicily in the Canal Zone C;
- D354 CR-SL, an area comprising 482.5 km², located southwest of Sicily and near the coast in the Canal Zone C;

Several exploration prospects, identified on 2D seismic, are on trend with existing fields including Narciso, Norma, Naila, and Nilde. Nine seismic campaigns were executed during the three exploration periods of the original ENI permit. The D353 CR-SL permit resides to the southwest of the Narciso permit and just east of the Norma, Naila, and Nilde oil fields.

SLE plans to acquire at least 20km² 3D seismic over the Narciso Field and drill an appraisal as part of the ongoing work programme.

The Louisiana oil disaster in the USA has undoubtedly created difficulties for the 22 operators working offshore Italy and the Italian Government is understandably concerned with protecting its environment and demanding appropriate safeguards.

The impact to all operators may be increased costs and a longer compliance process to get offshore drilling started in the foreseeable future, even though SLE's licences in Europe and North Africa technically do not pose the environmental risks witnessed this year.

Exploration Licences – Sicily

Po Valley – onshore licences

The Po Valley (Pianura Padana) is the main industrial area of Italy and is a mature gas-producing basin with an excellent infrastructure, contributing to Italy's position as the fifth largest gas producer in Europe.

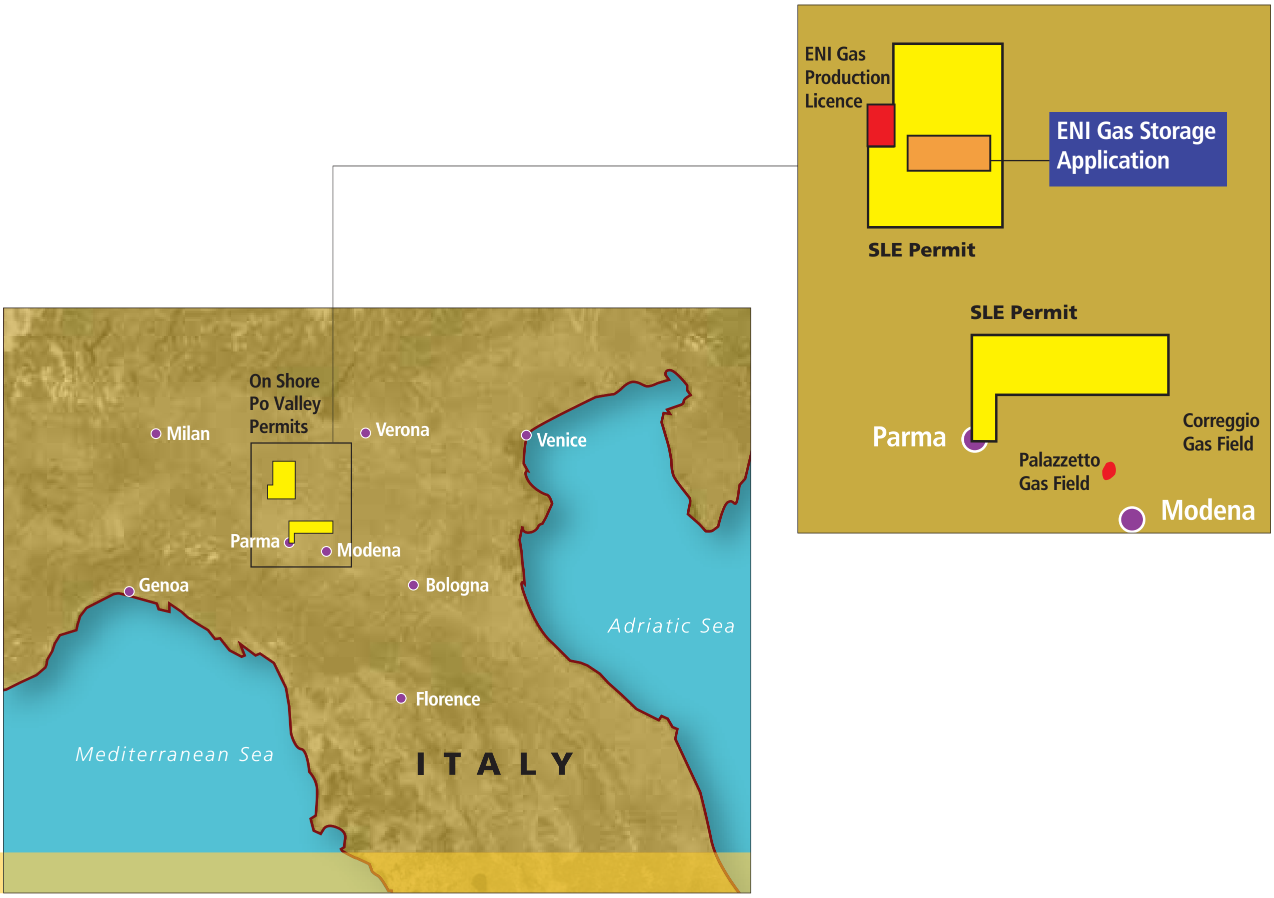
The Po Valley permits are the Sorbola and Sospiro, representing a total area of 753 km^2:

- Sorbolo (302 km^2) is located in the Emilia Romagna Region in the Parma-Reggio Province.
- Sospiro (451 km^2) is located in the Lombardia Region in the Brescia-Cremona-Mantova Province.

The Sorbolo permit is adjacent to a number of gas discoveries and producing fields – for example, the Palazetto gas field, drilled by Agip (ENI) in 1982, lies south of the permit and the now depleted Correggio gas field is to the east.

San Leon believes that both permits have strong exploration potential.

SLE began a 5-year work programme during 2009 and plans at least 200 km of 2D seismic and to drill at least one well.



As a result of its acquisition of Island Oil & Gas, San Leon has now added 9 offshore Ireland assets, comprising five operated licenses on the Atlantic Margin and four Celtic Sea assets, to its expanding portfolio.

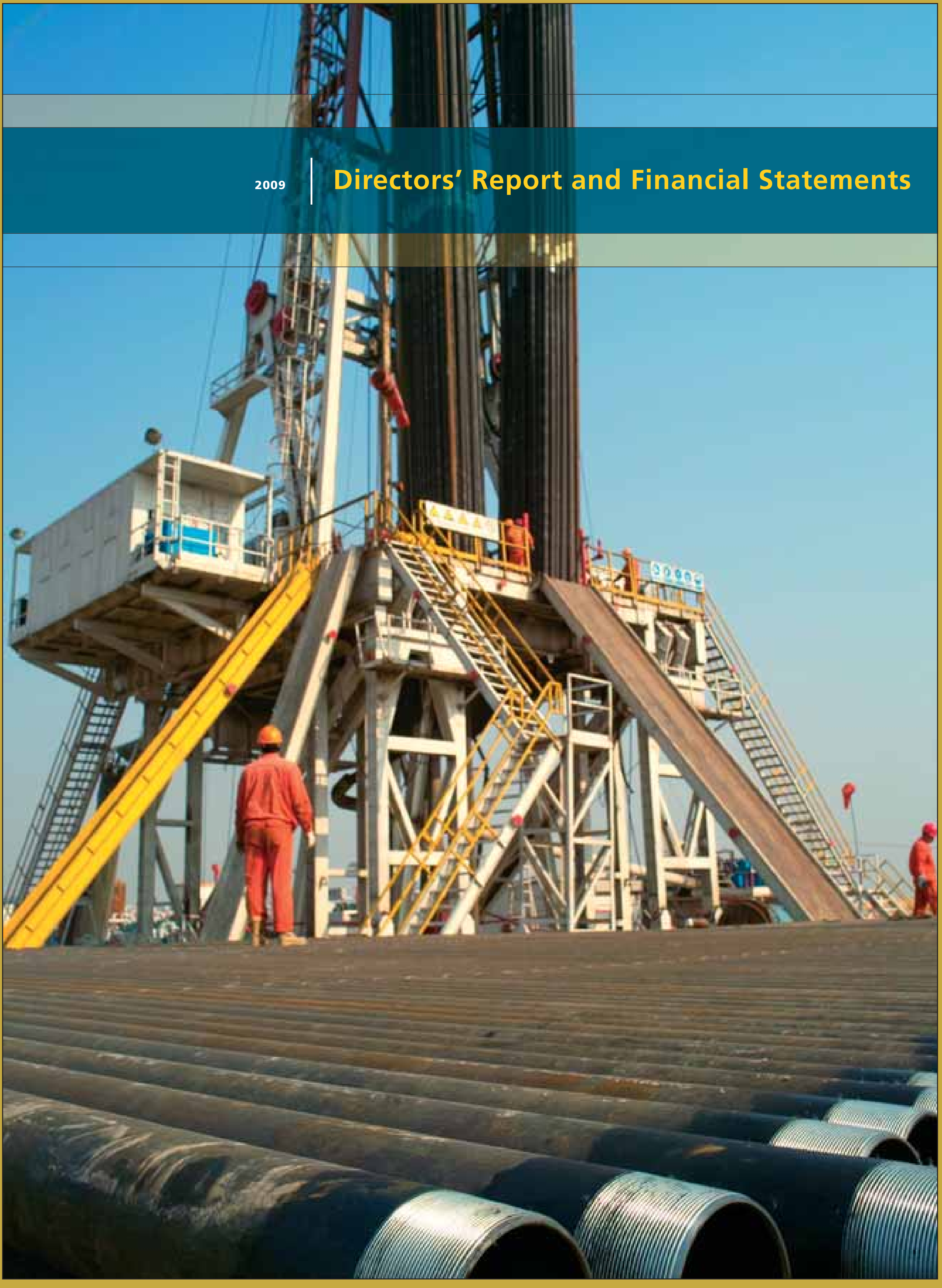
The Celtic Sea assets involve two operated licences, one non-operated petroleum lease and one licence option. They include the Seven Heads gas-producing fields and the Old Head of Kinsale (OHK) and Schull gas field development projects.

The assets are located close to the SW Kinsale gas storage facility, the biggest Irish gas storage project, which utilises the nearby Kinsale field for gas injection and production facilities. The existing infrastructure nearby suggests the development of OHK and Schull as gas storage facilities is a very real possibility.

SLE's acquired West of Ireland interests are located in a variety of geological basins on the Atlantic Margin and they represent significant opportunities for gas and oil prospects. Indeed, SLE's in-depth evaluation has revealed that the potential of the five Atlantic Margin licences is on a par with what was discovered in the North Sea back in the 1980s.

One licence alone has proven reserves of 150m barrels while the Porcupine C1 prospect is particularly exciting in that it has the potential for over one billion barrels in place.

SLE plans to conduct a seismic programme with PGS after which it intends to identify farm-in partners to exploit the enormous potential and so minimise risk to our shareholders. At least two major international players are due to drill there during 2010, a clear indication of the area's viability.



2009 | Directors' Report and Financial Statements

Directors	**Oisín Fanning** (Chairman) **Philip Thompson** (Chief Executive Officer) **Charles McEvoy** (Operations Director) **Paul Sullivan** (Commercial Director) **Jeremy Boak** (Non-Executive Director) **Raymond King** (Non-Executive Director)
Registered Office	Wilton Park House Wilton Place Dublin 2
Secretary	Raymond King
Auditors	Barr Pomeroy Chartered Accountants & Registered Auditor 21 Herbert Place Dublin 2 Ireland
Bankers	Allied Irish Bank 40/41 Westmoreland Street Dublin 2 Ireland
Solicitors	Whitney Moore Solicitors Wilton Park House Dublin 2 Ireland
Stockbroker and Nomad	Arbuthnot Securities Arbuthnot House 20 Ropemaker Street London EC2Y9AR
Joint Stockbroker	Fox Davies Capital Whitefriars House 6 Carmelite London EC4Y0BS
Registrars	Computershare Investor Services (Ireland) Ltd Heron House Corrig Road Sandyford Industrial Estate Dublin 18
Registered Number	237825 Republic of Ireland

The directors present their annual report together with the audited financial statements of San Leon Energy Plc ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2009.

Principal Activity

The principal activity of the Company is focused on the exploration and production of oil and gas.

Review of Business

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

Principal Risks and Uncertainties

The Group's activities are carried out principally in North America, Morocco, Italy, Poland and the Netherlands. Accordingly the principal risks and uncertainties are considered to be the following:

Exploration Risk

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

Commodity Price Risk

The demand for, and price of oil and gas is dependent on global and local supply and demand, actions of Governments or cartels and general global economical and political developments.

Share Price

The share price movement in the year ranged from a low of Stg 0.115 to a high of Stg 0.275. The share price at the year end was Stg 0.19.

Results and Dividends

The results for the year ended 31 December 2009 are set out in the Consolidated Statement of Comprehensive Income on page 24 of this Annual Report.

As all exploration and development costs to date have been deferred, no transfers to distributable reserves or dividends are recommended.

Future Developments

A review of future developments of the business is included within the Chairman's Statement and review of Exploration Licence Areas..

Directors

In accordance with the Articles of Association, Philip Thompson and Oisín Fanning retire from the board and being eligible offer themselves for re-election.

Details of Executive Directors

Oisín Fanning (aged 51), Chairman, has over twenty five years experience in structured finance, stockbroking and corporate finance, including ten years specialising in the oil and gas industry. From 1999 to 2006 he was chief executive of Smart Telecom plc, from 1993 to 1998 he was chief executive of MMI Stockbrokers Limited and from 1990 to 1993 he was chief executive of Astley Pearce Limited.

Philip Thompson (aged 49), Chief Executive Officer has over twenty three years experience in the oil & gas industry throughout Africa, Europe, North America and South America. Key projects have included oil and gas discoveries in Chad, offshore Holland, onshore USA and offshore Ireland. He has extensive experience in project management, international oil and gas exploration new ventures and geophysics with Exxon, Anadarko and Vanco Energy. He has an MSc in Geophysics from Southern Methodist University and a BSc in Geophysics from Texas A University.

Charles McEvoy (aged 54), Operations Director, has over 25 years operational, engineering and business development experience. He has been involved with major blue chip organisations within the manufacturing and service industries, including Intel, ADT and in business restructuring with Eircom.

Paul Sullivan (aged 52), Commercial Director, has over thirty years experience in corporate treasury and operations within banking, including Nordbanken NY,Standard Chartered Bank, Dublin, and BNP Paribas, Dublin.

Details of Non Executive Directors

Raymond King (aged 67), Non-Executive Director is a qualified Chartered Secretary, Compliance Officer, Information

Technologist, Banker and Accountant. He has considerable experience in Finance and IT and has been a a Chartered Secretary for 40 years. From 1958 to 1986 he worked for the Natwest Group. He was also associate director of Christiana Bank, general manager of operations of Moscow Narodny Bank, company secretary of SIM Group and chairman of Smart Telecom plc. He has acted in various senior executive and non-executive director roles, such as finance director, managing director and chairman of companies which have been brought to AIM, NASDAQ and PLUS Markets.

Jeremy Boak (aged 57), Non-Executive Director, is Project Manager with the Colorado Energy Research Institute (CERI), the Los Alamos National Laboratory and the US Department of Energy (DOE). He chairs international symposia on the development of oil shale and he carried out geological investigations for exploration and development in Alaska, Colorado, Oklahoma, Texas and California. He is affiliated to the Geological Society of America, American Association of Petroleum Geologists (AAPG), AAPG Division of Environmental Geology and the American Nuclear Society. Dr Boak is extensively published and has a PhD and BA in Geology from Harvard University and an MS Geology from the University of Washington.

Directors and their Interests

The interests (all of which are beneficial) of the Directors who held office at 01/01/09 and 31/12/09 and 18 June 2010 and their families in the share capital of the Company were:

Ordinary Shares

Directors	18/06/10 Ordinary Shares	31/12/09 Ordinary Shares	01/01/09 Ordinary Shares
Charles McEvoy	2,000,000	2,000,000	2,000,000
Oisín Fanning	58,840,000	58,840,000	58,840,000
Philip Thompson	58,840,000	58,840,000	58,840,000
Paul Sullivan	58,840,000	58,840,000	58,840,000
Raymond King	–	–	–
Jeremy Boak	–	–	–

Share Options

Directors	18/06/10 Ordinary Shares	31/12/09 Ordinary Shares	01/01/09 Ordinary Shares
Charles McEvoy	5,000,000*	5,000,000*	5,000,000 *
Charles McEvoy	3,750,000†	3,250,000†	–
Oisín Fanning	5,250,000†	3,250,000†	–
Philip Thompson	3,750,000†	3,250,000†	–
Paul Sullivan	4,750,000†	3,250,000†	–
Jeremy Boak	500,000†	500,000†	–
Jeremy Boak	1,000,000‡	1,000,000‡	1,000,000‡
Raymond King	1,000,000*	1,000,000*	1,000,000 *
Raymond King	1,000,000†	500,000†	–

* Share options are exercisable at a price of €0.05 at any time up to 22 September 2015.

‡ Share options are exercisable at a price of Stg 0.11 at any time up to 6 July 2015.

† Share options are exercisable at a price of Stg 0.11 at any time up to 4 February 2016

Transactions Involving Directors

There have been no contracts or arrangements of significance during the year in which Directors interested other than as disclosed in Note 20 to the financial statements.

Significant Shareholders

The Company has been informed that the following shareholders own 3% or more of the issued share capital of the Company:

	Percentage of issued share 18/06/10	31/12/09
Oisín Fanning	14.60%	18.30%
Philip Thompson	14.60%	18.30%
Paul Sullivan	14.60%	18.30%
Barry Kenny	–	4.81%
Cenkos Channel Islands Nominee	–	4.04%
Dermot Sheerin	–	3.50%

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

Group Undertakings

Details of the Company's subsidiaries are set out in Note 11 to the financial statements.

Political Donations
There were no political donations made during the year (2008 Nil).

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by AIM and as permitted by company law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the Company financial statements in accordance with EU IFRS, as applied in accordance with the provisions of the Irish Companies Acts, 1963 to 2009 ("the Companies Acts").

The Group and Company financial statements are required by law and EU IFRS to present fairly the financial position and performance of the Group; the Companies Acts provide, in relation to such financial statements, that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

– select suitable accounting policies and then apply them consistently;
– make judgements and estimates that are reasonable and prudent; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

Under applicable law and the requirements of the AIM Rules issued by the London Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance that comply with that law and those rules.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

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

Going Concern
The Directors have reviewed budgets, projected cash flows the current status of arrangements with the Group's bankers and other relevant information, and on the basis of this review, are confident that the Company and the Group should be in a position to have adequate financial resources to continue in operational existence for the foreseeable future.

The future of the Company and the Group is also dependent on the successful future outcome of its exploration interests and of the availability of further funding to bring these interests to production.

The Directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

Corporate Governance
It is the Board's intention that, in so far as it is practicable and taking into account the size and nature of the Company, it will comply with The Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council (the "Combined Code"). Where full compliance is not appropriate due to the size of the Company, the Directors will refer to the QCA Guidelines. In addition, the Company will abide by Rule 21 of the AIM Rules (regarding directors' dealings) and will take all reasonable steps to ensure compliance by the directors and applicable employees.

The Company is committed to high standards of corporate governance. The Board is accountable to Shareholders for good corporate governance and has adopted procedures it considers appropriate, having regard to the size and best interests of the Company.

The Board
The Board comprises Oisín Fanning, Philip Thompson, Paul Sullivan, Raymond King, Charles McEvoy and Jeremy

Boak. Oisín Fanning, Philip Thompson, Paul Sullivan and Charles McEvoy have all entered in to full time service agreements with San Leon Services Limited, a subsidiary of San Leon Energy plc.

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

Remuneration Committee

The Remuneration Committee is comprised of Raymond King, Oisín Fanning and Paul Sullivan with Raymond King appointed as chairman. The Remuneration Committee monitors the performance of each of the Company's executive Directors and senior executives to ensure they are rewarded fairly for their contribution. The recommendations of the Remuneration Committee are presented to a meeting of the full Board. The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board as a whole.

The Audit Committee

The Audit Committee is comprised of Raymond King and Paul Sullivan with Paul Sullivan appointed as chairman. The Audit Committee is responsible for ensuring that the Combined Code is implemented in respect to matters relating to the Company's external audit. In addition, the Committee also discusses the scope of the audit before its commencement and it receives reports from the external auditors. The Committee also recommends the appointment of, and will review the fees of, the external auditors. The Audit Committee meets the external auditors and meets internally at least twice per year. It also meets on an ad hoc basis as required.

Communications

The Company maintains regular contact with shareholders through publications such as the annual and half-year report and via press releases and the Company's website, www.sanleonenergy.com. The Directors are responsive to shareholder telephone and e-mail enquiries throughout the year. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views.

Internal Control

The Board acknowledges its overall responsibility for ensuring that the Company has a system of internal controls in place that is appropriate. However, shareholders should be mindful that any system can only provide reasonable, not absolute assurance against material misstatement or loss and is designed to manage but not eliminate the risk of failure to achieve business objectives. The key procedures are:

– a corporate governance policy with clearly defined rules relating to the delegation of authority;
– preparation of annual budgets for all of the businesses, reviewed by the executive management and subject to Board approval; and
– monthly review of sales, cash and profitability compared with budget.

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

Books and Accounting Records

The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements. These books and accounting records are maintained at 6 Northbrook Road, Dublin 6.

Auditors

The auditors, Barr Pomeroy, Chartered Accountants, have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June 2010

We have audited the consolidated and parent company financial statements of San Leon Energy Plc for the year ended 31 December 2009 which comprise the consolidated Statement of Comprehensive Income, the consolidated and parent company Statement of Financial Position, the consolidated and parent company Statement of Changes in Equity, the consolidated and parent company Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out on pages 31-34.

This report is made solely to the Company's members as a body in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in the audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company or the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRSs") are set out in the Statement of Directors' Responsibilities on page 20.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union and are properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you whether, in our opinion; proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet is in agreement with the books of account.

We report to the shareholders if, in our opinion, any information specified by law or the listing rules of AIM regarding Directors' remuneration and Directors' transactions is not given and, where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, Chairman's Review and the Review of Activities. We consider the implications for our audit report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2009 and of its loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the Company's affairs as at 31 December 2009; and

– the group and parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company Statement of Financial Position on page 26, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which under Section 40(1) of the Companies (Amendment) Act 1983 may require the convening of an extraordinary meeting of the Company.

Emphasis of matter

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in Note 9 to the consolidated financial statements in relation to the Directors' assessment of the carrying value of the Group's exploration and evaluation assets amounting to €36,478,500. The realisation of the intangible assets is dependent on the successful development or disposal of oil and gas in the Group's licence areas. The financial statements do not include adjustments that would result to the financial statements if the Group could not recover the full carrying value of its exploration and evaluation assets.

Barr Pomeroy
Chartered Accountants
and Registered Auditor
21 Herbert Place
Dublin 2
Ireland

18 June **2010**

Consolidated Statement of Comprehensive Income

For the year ended 31 December **2009**

	Notes	**2009** **€**	2008 €
Administrative expenses	3	**(4,269,008)**	(2,165,480)
Operating (loss)	3	**(4,269,008)**	(2,165,480)
Finance expenses	5	**(450,574)**	(93,138)
Finance income	4	**11,618**	1,227
Share based payment cost		**(808,314)**	(918,477)
(Loss) for the year before tax		**(5,516,278)**	(3,175,868)
Taxation	7	**(4,448)**	–
(Loss) for the year from continuing operations		**(5,520,726)**	(3,175,868)
Total Comprehensive Income attributable to:			
Equity holders of the parent		**(5,520,726)**	(3,175,868)
Earnings per share (cent):			
Basic (loss) per ordinary share	8	(1.92 cent)	(1.28 cent)
Diluted (loss) per ordinary share	8	(1.73 cent)	(1.25 cent)

The accompanying notes on pages 35-47 form an integral part of these financial statements.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June 2010

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 €	2008 €
Assets			
Non-Current Assets			
Intangible assets	9	**36,478,500**	30,570,840
Property, plant and equipment	10	**118,650**	16,413
Total Non-Current Assets		**36,597,150**	30,587,253
Current Assets			
Trade and other receivables	12	**558,234**	6,058,470
Cash and cash equivalents	13	**2,138,088**	168,602
		2,696,322	6,227,072
Total Assets		**39,293,472**	36,814,325
Equity and Liabilities			
Capital and Reserves			
Called up share capital	16	**16,059,196**	13,566,469
Share premium account	16	**23,976,523**	18,312,892
Shares to be issued as consideration		**–**	114,653
Share based payment reserve	17	**2,321,035**	1,512,721
Profit and loss account		**(9,323,365)**	(3,802,639)
Attributable to equity shareholders	1	**33,033,389**	29,704,096
		33,033,389	29,704,096
Non-Current Liabilities			
Trade and other payables	15	**2,750,000**	5,000,000
		2,750,000	5,000,000
Current Liabilities			
Trade and other payables	14	**3,510,083**	2,110,229
		3,510,083	2,110,229
Total Liabilities		**6,260,083**	7,110,229
Total Equity and Liabilities		**39,293,472**	36,814,325

The accompanying notes on pages 35-47 form an integral part of these financial statements.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June 2010

	Notes	2009 €	2008 €
Assets			
Non-Current Assets			
Property, plant and equipment	10	**14,201**	16,413
Financial assets	11	**27,064,293**	25,436,940
Total Non-Current Assets		**27,078,494**	25,453,353
Current Assets			
Trade and other receivables	12	**11,124,747**	11,407,031
Cash and cash equivalents	13	**1,720,603**	5,404
		12,845,350	11,412,435
Total Assets		**39,923,844**	36,865,788
Equity and Liabilities			
Equity			
Called up share capital	16	**16,059,196**	13,566,469
Share premium account	16	**23,976,523**	18,312,892
Shares to be issued as consideration		**–**	114,653
Share based payment reserve	17	**2,321,035**	1,512,721
Profit and loss account		**(8,503,494)**	(3,793,547)
Attributable to equity shareholders	1	**33,853,260**	29,713,188
Non-Current Liabilities			
Trade and other payables	15	**2,750,000**	5,000,000
		2,750,000	5,000,000
Current Liabilities			
Trade and other payables	14	**3,320,584**	2,152,600
Total Liabilities		**6,070,584**	7,152,600
Total Equity and Liabilities		**39,923,844**	36,865,788

The accompanying notes on pages 35-47 form an integral part of these financial statements.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June 2010

	Notes	2009 €	2008 €
Cash flows from operating activities			
Net (loss) for the year before taxation		**(5,516,278)**	(3,175,868)
Adjustments for:			
Depreciation		**99,157**	3,632
Investment revenue recognised		**(11,618)**	(1,227)
Movement on share based payment reserve		**808,314**	1,512,721
Decrease/(increase) in debtors		**5,500,236**	(5,883,694)
(Decrease)/increase in creditors		**(854,594)**	6,536,942
Net cash generated by / (used in) operating activities		**25,217**	(1,007,494)
Cash flows from financing activities			
Proceeds from issue of share capital		**8,041,705**	5,582,953
Cash flows from investing activities			
Expenditure on exploration activities		**(5,907,660)**	(4,406,450)
Purchases of property, plant and equipment		**(201,394)**	(13,534)
Interest received		**11,618**	1,227
Net cash generated from financing activities		**1,944,269**	1,164,196
Net increase in cash and cash equivalents		**1,969,486**	156,702
Cash and cash equivalents at beginning of year	13	**168,602**	11,900
Cash and cash equivalents at end of year	13	**2,138,088**	168,602

The accompanying notes on pages 35-47 form an integral part of these financial statements.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June 2010

	Notes	2009 €	2008 €
Cash flows from operating activities			
Net (loss) for the year before taxation		**(4,705,499)**	(3,166,776)
Depreciation		**6,667**	3,632
Decrease/(increase) in debtors		**282,284**	(11,117,756)
(Decrease)/increase in creditors		**(1,086,464)**	6,579,313
Investment revenue recognised		**(10,408)**	(1,227)
Share based payment		**808,314**	1,512,721
Net cash used in operating activities		**(4,705,106)**	(6,190,093)
Cash flows from financing activities			
Proceeds from issue of share capital		**8,041,705**	5,582,953
Cash flows from investing activities			
Expenditure on exploration activities		**–**	1,259,423
Purchases of property, plant and equipment		**(4,455)**	(13,534)
Investment in subsidiary undertakings		**(1,627,353)**	(646,472)
Interest received		**10,408**	1,227
Net cash (used in)/generated from investing activities		**(1,621,400)**	600,644
Net increase /(decrease) in cash and cash equivalents		**1,715,199**	(6,496)
Cash and Cash equivalents at the start of the year		**5,404**	11,900
Cash and cash equivalents at end of year		**1,720,603**	5,404

The accompanying notes on pages 35-47 form an integral part of these financial statements.

	Share Capital	Share Premium	Shares to be issued as Consideration	Share based Payment Reserve	Retained Earnings	Total Equity
	€	€	€	€	€	€
Balance at 1st January 2008	11,250,685	15,160,376	–	–	(626,771)	25,784,290
(Loss) for the year	–	–	–	–	(3,175,868)	(3,175,868)
Recognition of share based payments	–	–	–	1,512,721	–	1,512,721
Proceeds from share issue	2,315,784	3,152,516	114,653	–	–	5,582,953
Balance at 31st December 2008	13,566,469	18,312,892	114,653	1,512,721	(3,802,639)	29,704,096
Balance at 1st January 2009	13,566,469	18,312,892	114,653	1,512,721	(3,802,639)	29,704,096
(Loss) for the year	–	–	–	–	(5,520,726)	(5,520,726)
Recognition of share based payment	–	–	–	808,314	–	808,314
Proceeds from share issue	2,492,727	5,663,631	(114,653)	–	–	8,041,705
Balance at 31st December 2009	16,059,196	23,976,523	–	2,321,035	(9,323,365)	33,033,389

The accompanying notes on pages 35-47 form an integral part of these financial statements.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June **2010**

	Share Capital	Share Premium	Shares to be issued as Consideration	Share based Payment Reserve	Retained Earnings	Total Equity
	€	€	€	€	€	€
Balance at 1st January 2008	11,250,685	15,160,376	–	–	(626,771)	25,784,290
(Loss) for the year	–	–	–	–	(3,166,776)	(3,166,776)
Recognition of share based payments	–	–	–	1,512,721	–	1,512,721
Proceeds from share issue	2,315,784	3,152,516	114,653	–	–	5,582,953
Balance at 31st December 2008	13,566,469	18,312,892	114,653	1,512,721	(3,793,547)	29,713,188
Balance at 1st January 2009	13,566,469	18,312,892	114,653	1,512,721	(3,793,547)	29,713,188
(Loss) for the year	–	–	–	–	(4,709,947)	(4,709,947)
Recognition of share based payment	–	–	–	808,314	–	808,314
Proceeds from share issue	2,492,727	5,663,631	(114,653)	–	–	8,041,705
Balance at 31st December 2009	16,059,196	23,976,523	–	2,321,035	(8,503,494)	33,853,260

In accordance with the provisions of the Companies (Amendment) Act 1986, the Company has not presented a Statement of Comprehensive Income. A loss for the period of €4,709,947 (2008 - €3,166,776) has been dealt with in the Consolidated Statement of Comprehensive Income.

The accompanying notes on pages 35-47 form an integral part of these financial statements.

On behalf of the Board

Paul Sullivan
DIRECTOR

Philip Thompson
DIRECTOR

18 June 2010

San Leon Energy Plc ("the Company") is a company incorporated in Ireland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

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

Statement of compliance
As permitted by the European Union and in accordance with AIM Rules, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU (IFRS). The individual financial statements of the Company ("Company financial statements") have been prepared in accordance with the IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2009 which permits a company, that publishes its company and group financial statements together, to take advantage of the exemption in Section 148(8) of the Companies Act, 1963, from presenting to its members its company Income Statement and related notes that form part of the approved company financial statements.

The IFRSs adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective at 31st December 2009.

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure
IAS 1 (as revised in 2007) Presentation of Financial Statements IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating Segments
IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 2).

Amendments to IAS 7 Statement of Cash Flows (adopted in advance of effective date 1 January 2010) The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. No restatement was required as a result of these amendments.

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Improvements to IFRS's (2008)
The improvements have led to a number of changes in the detail of the Group's accounting policies- some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

IAS 23 (As revised 2007) Borrowing Costs
The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. This revised standard has no effect on the financial statements of the Group as the Group has no borrowings.

The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs and interpretations adopted by the EU which are not yet effective and have not been adopted in these financial statements:

IAS 17 Leases
As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS17 Leases regarding the classification of leases of land. Prior to amendment, IAS17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principals of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS17. These amendments are effective for financial periods beginning

on or after 1 January 2010, and they are applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; and difference between those fair values will be recognised in retained earnings.

The Directors anticipate that these amendments to IAS 17 will be adopted in the Group's financial statements for the period beginning 1 January 2010. The amendment is not expected to have an impact on the Group financial statements.

IFRS 2 Share Based Payment

In June 2009, the IASB issued amendments to IFRS 2 Share-based Payment. These amendments clarify the scope of IFRS 2, as well as the accounting for Group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. The Directors anticipate that these amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010. The amendment is not expected to have an impact on the Group financial statements.

IFRS 3 Business Combinations (Revised 2008)

This standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IAS 27 Consolidated and Separate Financial Statements

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. This standard is effective from 1 July 2009. Management does not expect the standard to have a material effect on the Group's financial statements.

Basis of preparation

The Group and Company's financial statements are prepared on the historical cost basis, except for available-for-sale assets, which are carried at fair value. The accounting policies have been applied consistently by group entities.

Functional and Presentation Currency

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

Use of Estimates and Judgements

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements in the following area:

- measurement of the impairment of intangible assets
- utilisation of tax losses
- measurement of share-based payments

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group. Intra-group balances and any unrealised gains and losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements, except to the extent they provide evidence of impairment.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis. Segment results included items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intangible assets – exploration and evaluation assets

The Group applies the full-cost method of accounting under which all expenditure relating to the acquisition, exploration, appraisal and development of oil and gas interests, including an appropriate share of directly attributable overheads, is capitalised within cost pools. Capitalised costs are amortised on a unit of production basis. The Board regularly reviews the carrying values of intangible assets and writes down capitalised expenditure to levels it considers to be prudent. Costs pools are determined on the basis of geographical principles. The Group currently has three cost pools, being its exploration interests in Africa, Europe and North America. Expenditure incurred prior to obtaining the legal rights to explore an area is written off to the Consolidated Statement of Comprehensive Income.

Under the full cost based method of accounting, the Group capitalises exploration costs until it is capable of determining whether its exploration efforts were successful and, if they were successful, whether any impairment charges may be required to bring the net book values of assets in line with their economic values.

Unproven oil and gas properties, including oil and gas licences which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date and, if there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

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

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

Property, plant and equipment

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

Computer equipment	25% Straight line
Motor vehicle	20% Reducing balance

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the Statement of Comprehensive Income.

Financial assets

Financial assets are stated at fair value with gains and losses recognised in the Statement of Comprehensive Income.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date, and revenues, costs and non-monetary assets at the exchange rates ruling at the dates of the transactions.

Profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with through the income statement.

Monetary assets are monies held and amounts to be received in money; all other assets are non monetary assets.

Finance income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

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

Share capital

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

Issue expenses and share premium account

Issue expenses are written off against the premium arising on the issued share capital.

Share based payments

The Group has applied the requirements of IFRS 2 'share based payments'. The Group issues share options as an incentive to certain key management and staff (including Directors). The fair value of share options granted to Directors and employees under the Company's share option scheme is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the awards vest. The fair value is measured using the Black-Scholes-Merton formula.

The options issued by the Group are subject to both market-based and non-market based vesting conditions. Market conditions are included in the calculation of fair value at the date of the grant. Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the equity instruments that are expected to vest.

The proceeds received net of any directly attributable transaction costs will be credited to share capital (nominal value) and share premium when options are converted into ordinary shares.

Earnings per share

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

1. Reconciliation of movements in shareholders' funds - Group

	2009	2008
	€	€
(Loss) for the year	**(5,520,726)**	(3,175,868)
Net proceeds of equity share issue	**8,041,705**	5,582,953
Other recognised gains or losses	**808,314**	1,512,721
Net addition to shareholders' funds	**3,329,293**	3,919,806
Opening shareholders' funds	**29,704,096**	25,784,290
	33,033,389	29,704,096

Reconciliation of movements in shareholders' funds - Company

	2009	2008
	€	€
(Loss) for the year	**(4,709,947)**	(3,166,776)
Net proceeds of equity share issue	**8,041,705**	5,582,953
Other recognised gains or losses	**808,314**	1,512,721
Net addition to shareholders' funds	**4,140,072**	3,928,898
Opening shareholders' funds	**29,713,188**	25,784,290
	33,853,260	29,713,188

2. Segmental Reporting

For the purpose of segmental information all the operations of the Group's activities relate to a single segment, the exploration for oil and gas. A geographical analysis of the Group's exploration and evaluation assets is set out in Note 9.

3. Statutory Information

	2009	2008
	€	€
The loss for the financial year is stated after charging:		
Depreciation of property, plant and equipment	**99,157**	3,632
Loss on foreign currencies	**5,609**	71,886
Auditors' remuneration	**20,000**	12,500

As permitted by Section 148 (8) of the Companies Act 1963, the Company Statement of Comprehensive Income has not been separately disclosed in these financial statements.

4. Finance income

	2009	2008
	€	€
Deposit interest received	**11,618**	1,227

5. Interest payable and similar charges

	2009	2008
	€	€
On loans and overdraft	**450,574**	93,138
	450,574	93,138

6. Directors Emoluments

Number of employees

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

	2009	2008
	Number	Number
Directors	**6**	6
Administration	**1**	-
Geoscientists	**2**	-
	9	6

Employment costs

	2009	2008
	€	€
Wages and salaries	**222,161**	–
Directors remuneration	**1,698,097**	439,662
Social welfare costs	**22,866**	25,802
	1,943,124	465,464

7. Tax on loss on ordinary activities

	2009 €	2008 €
Current tax		
Charge for the year	**4,448**	–
Total tax charge	**4,448**	–

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

	2009 €	2008 €
(Loss) on ordinary activities before tax	**(5,516,278)**	(3,175,868)
Tax on ordinary activities at Irish corporation tax rate of 25% (2008: 25%)	**(1,379,070)**	(793,967)
Effects of:		
Income taxable at higher rate	**–**	153
Depreciation in excess of capital allowances	**17,667**	107
Expenses not deductible	**363,718**	
Tax expenses	**(1,112)**	
Income tax withheld on medical insurance premiums	**4,448**	
Current year losses utilised	**–**	(260)
Excess management charges carried forward	**998,797**	793,967
Tax charge for the year	**4,448**	–

8. Loss per share

Basic earnings per share

The basic and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2009	2008
	€	€
(Loss) for the year attributable to equity holders	(5,520,726)	(3,175,868)
Weighted average number of ordinary shares for the purposes of basic earning per share	288,035,358	247,676,430
Basic (loss) per ordinary share (in cent)	(1.92)	(1.28)

Diluted earnings per share

The earnings used in the calculation of the diluted earnings per share are the same as those for the basic earnings per share as outlined above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2009	2008
	€	€
Weighted average number of shares used in the calculation of basic earnings per share	288,035,358	247,676,430
Shares deemed to be issued for no consideration in respect of:		
Employee options	30,500,000	7,000,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	318,535,358	254,676,430
Diluted (loss) per ordinary share (in cent)	(1.73)	(1.25)

9. Intangible assets - Exploration and Evaluation Assets

Group	Exploration and Evaluation assets	Total
	€	€
Cost		
At 1 January 2009	30,570,840	30,570,840
Additions	5,907,660	5,907,660
At 31 December 2009	36,478,500	36,478,500
Net book values		
At 31 December 2009	36,478,500	36,478,500
At 31 December 2008	30,570,840	30,570,840

The carrying value of oil and gas interests by geographical area are as follows:

	2009	2008
	€	€
Europe	**5,398,379**	1,291,679
Africa	**28,461,698**	27,010,156
America	**2,618,423**	2,269,005
	36,478,500	30,570,840

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 ongoing appraisals for each area, as described in the Operating Review. The directors are satisfied that there are no indicators of impairment but recognise that future realisation of these oil and gas interests is dependent on further successful exploration and appraisal activities.

10. Property, Plant and Equipment – Group

	Computer equipment €	Motor Vehicles €	Total €
Cost			
At 1 January 2009	22,216	–	22,216
Additions	175,491	25,903	201,394
At 31 December 2009	197,707	25,903	223,610
Depreciation			
At 1 January 2009	5,803	–	5,803
Charge for the year	99,157	–	99,157
At 31 December 2009	104,960	–	104,960
Net book values			
At 31 December 2009	**92,747**	**25,903**	**118,650**
At 31 December 2008	16,413	–	16,413

Property, Plant and Equipment – Company

	Computer equipment €	Total €
Cost		
At 1 January 2009	22,216	22,216
Additions	4,455	4,455
At 31 December 2009	26,671	26,671
Depreciation		
At 1 January 2009	5,803	5,803
Charge for the year	6,667	6,667
At 31 December 2009	12,470	12,470
Net book values		
At 31 December 2009	**14,201**	**14,201**
At 31 December 2008	16,413	16,413

11. Financial assets – Company

	2009	2008
	€	€
Investment in subsidiary undertakings at cost:		
Balance at beginning of year	**25,436,940**	24,790,468
Additions	**1,627,353**	646,472
Balance at end of year	**27,064,293**	25,436,940

During the year, the company purchased the entire share capital of Gold Point Energy Corp. for a consideration of €1,626,136 and incorporated a company in Poland, San Leon (Poland) SP. Zoo with an issued share capital of €1,217.

At 31st December 2009, the Company had the following subsidiary undertakings:

Name	Incorporated in	Main Activity	Holding
San Leon (Morocco) Limited	British Virgin Islands	Oil and gas exploration	100%
San Leon (USA) Limited	Ireland	Oil and gas exploration	100%
San Leon (Netherlands) Limited	British Virgin Islands	Oil and gas exploration	100%
San Leon Energy Srl	Italy	Oil and gas exploration	100%
San Leon Services Limited	Jersey	Employment services	100%
Gold Point Energy Corp.	Canada	Oil and gas exploration	100%
San Leon Energy USA Inc.	U.S.A.	Oil and gas exploration	100%
San Leon (Poland) SP. Zoo	Poland	Oil and gas exploration	100%
Liesa Investments SP. Zoo	Poland	Oil and gas exploration	100%
Oculis Investments SP. Zoo	Poland	Oil and gas exploration	100%
Vabush Energy SP. Zoo	Poland	Oil and gas exploration	100%

12. Trade and other receivables

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
Amounts falling due within one year:				
Amounts owed by group undertakings	**–**	–	**10,703,842**	5,348,561
Taxes refundable	**199,158**	58,470	**181,235**	58,470
Other debtors	**239,670**	6,000,000	**239,670**	6,000,000
Prepayments and accrued income	**119,406**	–	**–**	–
	558,234	6,058,470	**11,124,747**	11,407,031

13. Cash and Cash Equivalents

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
Cash at bank	**2,138,088**	168,602	**1,720,603**	5,404
	2,138,088	168,602	**1,720,603**	5,404

14. Trade and other payables

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
Amounts falling due within one year:				
Bank overdraft	–	–	–	42,371
Trade creditors	**315,995**	878,600	**281,314**	878,600
Corporation tax	**4,448**	-	**4,448**	-
Other taxes and social welfare costs	**418,358**	146,098	**413,914**	146,098
Directors' accounts	**1,398,794**	786,408	**1,398,794**	786,408
Other creditors	**721,488**	–	**721,488**	–
Accruals and deferred income	**651,000**	299,123	**500,626**	299,123
	3,510,083	2,110,229	**3,320,584**	2,152,600

Some trade creditors had reserved title to goods supplied to the Company. Since the extent to which such creditors are effectively secured depends on a number of factors and conditions, some of which are not readily determinable, it is not possible to indicate how much of the above amount is secured under reservation of title.

Other taxes and social welfare costs:

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
PAYE / PRSI	**418,358**	146,098	**413,914**	146,098
	418,358	146,098	**413,914**	146,098

15. Trade and other payables due after more than one year

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
Convertible Loan Note	2,750,000	5,000,000	2,750,000	5,000,000
	2,750,000	5,000,000	2,750,000	5,000,000

The Company created a Convertible Loan Note which was constituted by a loan note instrument dated 12th September 2008. The Convertible Loan Note was allotted and issued to Mr Turner fully paid. The Loan Note Instrument provides that the Convertible Loan Note is subject to interest at 12 per cent per annum for a two year term. The Company may at any time, upon giving not less than 30 days prior notice in writing to Mr. Turner, and subject to a minimum repayment amount of €5,000, repay any portion of the Convertible Loan Note.

Mr. Turner is entitled at any time prior to the repayment of the Convertible Loan Note, on giving 10 days written notice to the Company, to serve a conversion notice on the Company to convert some or all of the outstanding balance of the Convertible Loan Note into Ordinary Shares at a price per share of Stg£0.40. If the Company chooses to accelerate the repayment of the outstanding Convertible Loan Note, Mr. Turner shall be entitled to subscribe for Ordinary Shares in the Company at a price of Stg£0.40 per Ordinary Share up to the amount of the accelerated repayment that the Company has paid to Mr. Turner.

The Company renegotiated the terms of the Convertible Loan Note. The monies will now only be drawn at intervals when the Company requires additional funds. This new arrangement will reduce the overall costs of this source of finance.

16. Share capital - Group and Company

	2009 €	2008 €
Authorised equity		
750,000,000 Ordinary shares of 5 cent each	37,500,000	37,500,000
	37,500,000	37,500,000

Issued, called up and fully paid:

	Number of Ordinary shares	Share Capital €	Share Premium €
At 1st January 2009	271,329,367	13,566,469	18,312,892
Issued in year	49,854,546	2,492,727	5,819,936
Share issue costs	–	–	(156,305)
At 31st December 2009	321,183,913	16,059,196	23,976,523

On 11 February 2009, the Company issued 2,500,000 €0.05 Ordinary Shares at Stg 0.11 per share in consideration for services provided.

On 28 May 2009, the Company issued 4,769,971 €0.05 Ordinary Shares at Stg 0.165 per share as part consideration for the purchase of Gold Point Energy Corp.

On 26 June 2009, the Company issued 500,000 €0.05 Ordinary Shares at Stg 0.11 per share for cash.

On 23 September 2009, the Company issued 42,084,575 €0.05 Ordinary Shares at Stg 0.15 per share for cash.

17. Share-based payments

Employee share option plan

The Group has an ownership-based compensation plan for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous general meeting, executives and senior employees may be granted options to purchase ordinary shares.

Each share option converts into one ordinary share of San Leon Energy Plc on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share based payment arrangements were brought into existence during the current and comparative reporting periods:

Option series	Number	Grant date	Expiry date	Exercise price	Fair Value at grant date
Option Series 1	6,000,000	23/09/08	22/09/15	€0.05	Stg 0.17
Option Series 2	1,000,000	07/07/08	06/07/15	Stg 0.11	Stg 0.17
Option Series 3 (exercised)	2,500,000	31/12/08	30/12/15	Stg 0.11	Stg 0.115
Option Series 4	23,500,000	05/02/09	04/02/16	Stg 0.11	Stg 0.11

In accordance with the terms of the share-based arrangement, options issued during the financial year ended 31 December 2009, vest at their date of issue.

The weighted average fair value of the share options granted during the financial year is Stg 0.17. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attaching to the option), and behavioural considerations. Expected volatility is based on the historical share price from 29 September 2008 to 31 December 2009.

Inputs into the model	Option Series 1	Option Series 2	Option Series 3	Option Series 4
Grant date share price	Stg 0.17	Stg 0.17	Stg 0.115	Stg 0.11
Exercise price	€0.05	Stg 0.11	Stg 0.11	Stg 0.11
Expected volatility	75%	75%	75%	20%
Option life	7 years	7 years	7 years	7 years
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	4.59%	4.59%	4.59%	4.59%

17. Share-based payments *continued*

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	–	–	–	–
Granted during the year	23,500,000	Stg 0.123	9,500,000	Stg 0.17
Forfeited during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Expired during the financial year	–	–	–	–
Balance at end of the financial year	23,500,000	Stg 0.123	9,500,000	Stg 0.17
Exercisable at end of the financial year	23,500,000	Stg 0.123	9,500,000	Stg 0.17

Exercised during the year

The Option series 3 were all exercised on 11 February 2009. No other options were exercised during the year.

Balance at end of the financial year

The share options outstanding at the end of the financial year had the following exercise prices:

	Number of Options Outstanding	Exercise Price
Option series 1	6,000,000	€0.05
Option series 2	1,000,000	Stg 0.11
Option series 4	23,500,000	Stg 0.11

The options outstanding at 31 December 2009 had a remaining average contractual life of 6.15 years.

18. Capital commitments and contingencies

Part of the consideration to be paid to Philip Thompson for his shares in San Leon (Netherlands) Limited is conditional on San Leon (Netherlands) Limited receiving US$ 1 million in royalty income in respect of its interest in Block 13a in the Netherlands North Sea. Once this condition has been met, a payment equal to 50% of the royalties received by San Leon (Netherlands) Limited in excess of US$ 1 million is payable to Philip Thompson up to a maximum of US$ 2 million.

At 31 December 2009, there were no other capital commitments or contingent liabilities.

19. Financial Instruments and Financial Risk Management

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

It is, and has been throughout 2009 and 2008 the Group and Company's policy that no trading in derivatives be undertaken.

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

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where appropriate. The exposure to exchange rate fluctuations is limited as the Company's subsidiaries operate mainly within the Euro Zone.

At the year ended 31 December 2009 and 31 December 2008, the Group had no outstanding forward exchange contracts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As the Group does not, as yet, have any sales to third parties, this risk is limited.

The Group and Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Group and Company's exposure to credit risk arise from default of its counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents in its consolidated balance sheet.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

Liquidity risk management

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group and Company's short-,medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are regularly produced to identify the liquidity requirements of the Group. To date, the Group has relied on shareholder funding to finance its operations. The Group had no borrowing facilities at 31 December 2009.

The Group and Company's financial liabilities as at 31 December 2009 and 31 December 2008 were all payable on demand.

The expected maturity of the Group and Company's financial assets (excluding prepayments) as at 31 December 2009 and 31 December 2008 was less than one month.

The Group expects to meet its other obligations from operating cash flows with an appropriate mix of funds and equity instruments. The Group further mitigates liquidity risk by maintaining an insurance programme to minimise exposure to insurable losses.

The Group had no derivative financial instruments as at 31 December 2009 and 31 December 2008.

Interest rate risk

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

It is the Group and Company's policy as part of its disciplined management of the budgetary process to place surplus funds on short term deposit in order to maximise interest earned.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the consolidated statement of changes in equity.

Fair values

The carrying amount of the Group and Company's financial assets and financial liabilities is a reasonable approximation of the fair value.

Hedging

At the year ended 31 December 2009 and 31 December 2008, the Group had no outstanding contracts designated as hedges.

20. Approval of financial statements

The Financial Statements were approved by the Board on 18 June 2010.

Company number 237825

SAN LEON ENERGY PUBLIC LIMITED COMPANY

("the Company")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that an Annual General Meeting of the Company will be held on Monday 26th July 2010 at 11.00 am in the Herbert Park Hotel, Ballsbridge, Dublin 4, Ireland for the purpose of considering, and if thought fit, passing the following resolutions as ordinary resolutions and a special resolution:-

Ordinary Business

1 To receive and consider the Report of the Directors and Financial Statements for the year ended 31st December 2009.

2(a) To elect Shaun Hennessey as a Director of the Company.

2(b) To re-elect Mr. Philip Thompson as a Director of the Company who retires in accordance with the Articles of Association.

2(c) To re-elect Mr. Oisín Fanning as a Director of the Company who retires in accordance with the Articles of Association.

3 To authorise the Directors to fix the remuneration of the Auditors.

Special Business

As a Special Resolution:

4 "That the Directors of the Company be empowered pursuant to Section 24 of the Companies (Amendment) Act, 1983, to allot equity securities (as defined by Section 23 of the Companies (Amendment) Act, 1983) for cash pursuant to the authority conferred by Article 4(e) of the Articles of Association, as if sub-section (1) of the said Section 23 did not apply to any such allotment provided that the powers conferred by this resolution shall be limited to:

(i) the allotment of equity securities (including without limitation, any shares purchased by the Company pursuant to the provisions of the Companies Act, 1990 and held as treasury shares) in connection with any offer of securities, open for a period fixed by the Directors, by way of rights, open offer or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company (including, without limitation, any person entitled to options under any of the Company's shares option schemes for the time-being) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory; and

(ii) (in addition to the authority conferred by paragraph (i) hereof) the allotment of equity securities (including without limitation, any shares purchased by the Company pursuant to the provisions of the Companies Act, 1990 and held as treasury shares) up to a maximum aggregate nominal value of thirty per cent. of the issued ordinary share capital of the Company at the close of business on the date of this meeting.

The authority hereby conferred shall expire on the earlier of 15 months from the date of the passing of this resolution and the close of business on the date of the next annual general meeting of the Company, unless previously renewed, varied or revoked by the Company in general meeting. The Company may before any such expiry make an offer or agreement which would or might require any such securities to be allotted in pursuance of such offer or agreement after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired."

By Order of the Board

Raymond A. King

Director and Secretary

Dated: 18 June 2010

Notes:

a. Any shareholder of the Company entitled to attend and vote may appoint another person (whether a member or not) as his/her proxy to attend, speak and vote on his/her behalf. For this purpose a form of proxy is enclosed with this Notice. A proxy need not be a shareholder of the Company. Lodgement of the form of proxy will not prevent the shareholder from attending and voting at the meeting.

b. Only shareholders, proxies and authorised representatives of corporations, which are shareholders, are entitled to attend the meeting.

c. To be valid, the form of proxy and, if relevant, the power of attorney under which it is signed, or a certified copy of that power of attorney, must be received by the Company at Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland not less than 48 hours prior to the time appointed for the meeting.

d. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

e. The Company, pursuant to Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (the "Regulations"), specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 24 July 2010 (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.

FOR FURTHER INFORMATION

www.sanleonenergy.com

San Leon Energy plc
6 Northbrook Road
Dublin 6, Ireland