

San Leon Energy (SLE LN) 23 April 2018

Stock Data

Share Price:	30.0p
Market Cap (M):	£150.8m
EV (M):	£141.2

Resumption of trading

Event

San Leon Energy (“San Leon”, “SLE” or the “Company”) has announced that discussions with Midwestern Oil & Gas regarding a potential merger of San Leon and Midwestern Leon Petroleum Limited have been terminated by the Company. The board of SLE concluded that the proposed transaction did not offer a sufficient balance of added value and certainty of near-term cash flows and was therefore not in the best interest of its shareholders.

San Leon also confirms that it has now received three quarterly loan repayments totalling US\$58.6m and has a current cash balance of US\$13.5m. Trading in the ordinary shares of SLE has now recommenced.

Comment

Benefitting from regular cash income of US\$19m and having repaid its major creditors, San Leon finds itself in a materially stronger position. Further payments of US\$168.6m (principal and interest) remain receivable equating to 24p/sh and the company also benefits from a 9.7% effective working interest in OML 18, which is producing approximately c.53mbopd (5,150bopd net to SLE), and a 4.5% net profit interest in the Barryroe field. We believe these assets and income stream provide a solid basis for the Company going forward and at an attractive valuation relative to the current share price. The Company is also expected to commence dividend payments once a capital reduction is completed.

Company Summary

San Leon Energy is an exploration and production company with assets in Nigeria, Poland, Morocco, Ireland and Albania.

William Arnstein

Tel: +44 (0)20 3463 5020

william.arnstein@brandonhillcapital.com

www.brandonhillcapital.com

Research Disclosures

William Arnstein

Will is a CFA charterholder and has more than 10 years' experience as a sell-side equity research analyst having previously worked at Dresdner Kleinwort, Jefferies International and finnCap. In his last role, he co-founded the Oil & Gas franchise at finnCap and later became Head of Oil & Gas, where he also coordinated corporate finance and corporate broking in addition to his responsibilities as a Research Director. During his career, Will has worked closely with many international E&P companies, both listed and private, evaluating assets across the globe and has developed particular expertise in petroleum economics and asset valuation. In 2010, Will was awarded No.1 stock picker for the European energy sector in the FT/Starmine Awards.

Tel: +44 (0)20 3463 5020

william.arnstein@brandonhillcapital.com

Investment Analyst Certification

All research is issued under the regulatory oversight of Brandon Hill Capital Limited. Each Investment Analyst of Brandon Hill Capital Limited whose name appears as the Author of this Investment Research hereby certifies that the recommendations and opinions expressed in the Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all of the Designated Investments or Relevant Issuers discussed herein that are within such Investment Analyst's coverage universe.

Brandon Hill Capital Limited provides professional independent research services and all Analysts are free to determine which assignments they accept, and they are free to decline to publish any research notes if their views change.

Research Recommendations

Brandon Hill Capital uses a five-tier recommendation system for stocks under coverage:

Buy	Recommendation implies that expected total return of at least 15% is expected over 12 months between current and analysts' target price.
Trading Buy	Recommendation implies that the analysts' expected total return over the short term compared against the target price is positive.
Hold	Recommendation implies that expected total return of between 15% and zero is expected over 12 months between current and analysts' target price.
Trading Sell	Recommendation implies that the analysts' expected total return over the short term compared against the target price is negative.
Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 23 April 2018

Company Name	Disclosure
San Leon Energy (SLE LN)	1,2,5,7,8

Investment Research Disclosure Legend:

1. In the past 12 months, Brandon Hill Capital Limited or its affiliates have had corporate finance mandates or managed or co-managed a public offering of the Relevant Issuer's securities or received compensation for Corporate Finance services from the Relevant Issuer.
2. Brandon Hill Capital Limited expects to receive or intends to seek compensation for Corporate Finance services from this company in the next six months.
3. The Investment Analyst or a member of the Investment Analyst's household has a long position in the shares or derivatives of the Relevant Issuer.
4. The Investment Analyst or a member of the Investment Analyst's household has a short position in the shares or derivatives of the Relevant Issuer.
5. As of the month end immediately preceding the date of publication of this report, or the prior month end if publication is within 10 days following a month end, Brandon Hill Capital Limited and / or its affiliates beneficially owned 1% or more of any class of common equity securities of the Relevant Issuer.
6. A senior executive or director of Brandon Hill Capital Limited or a member of his or her household is an officer, director or advisor, board member of the Relevant Issuer and / or one of his subsidiaries.
7. Brandon Hill Capital Limited acts as corporate broker for the Relevant Issuer.
8. The Investment Analyst who is responsible for the preparation of this Investment Research is employed by Brandon Hill Capital Limited, a securities broker-dealer.
9. The Investment Analyst who is responsible for the preparation of this Investment Research has received (or will receive) compensation linked to the general profits of Brandon Hill Capital Limited.

Disclaimer: Important Information

This document is not independent and should not be relied on as an impartial or objective assessment of its subject matter. Given the foregoing, this document is deemed to be a marketing communication and as such has not been prepared in accordance with legal requirements designed to promote the independence of investment research and Brandon Hill Capital Limited is not subject to any prohibition on dealing ahead of dissemination of this document as it would be if it were independent investment research.

This document has been issued by Brandon Hill Capital Limited for information purposes only and should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action. This document has no regard for the specific investment objectives, financial situation or needs of any specific entity. Brandon Hill Capital Limited and/or connected persons may, from time to time, have positions in, make a market in and/or effect transactions in any investment or related investment mentioned herein and may provide financial services to the issuers of such investments. The information contained herein is based on materials and sources that we believe to be reliable, however, Brandon Hill Capital Limited makes no representation or warranty, either express or implied, in relation to the accuracy, completeness or reliability of the information contained herein. Opinions expressed are our current opinions as of the date appearing on this material only. Any opinions expressed are subject to change without notice and Brandon Hill Capital Limited is under no obligation to update the information contained herein. None of Brandon Hill Capital Limited, its affiliates or employees shall have any liability whatsoever for any indirect or consequential loss or damage arising from any use of this document.

This report has been approved in the UK by Brandon Hill Capital Limited solely for the purposes of section 21 of the Financial Services and Markets Act 2000. In the UK, this report is directed at and is for distribution only to persons who (i) fall within Article 19(1) (persons who have professional experience in matters relating to investments) or Article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) or (ii) are professional clients or eligible counterparties of Brandon Hill Capital Limited (all such persons together being referred to as "relevant persons"). This report must not be acted on or relied upon by persons in the UK who are not relevant persons.

Neither this report nor any copy of part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of UK or US securities law, or the law of any such other jurisdictions.

Investments in general involve some degree of risk, including the risk of capital loss. The services, securities and investments discussed in this document may not be available to nor suitable for all investors. Investors should make their own investment decisions based upon their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment advisor. Past performance is not necessarily a guide to future performance and an investor may not get back the amount originally invested. Where investment is made in currencies other than the investor's base currency, movements in exchange rates will have an effect on the value, either favourable or unfavourable. Levels and bases for taxation may change. When we comment on AIM or ISDX shares you should be aware that because the rules for those markets are less demanding than the Official List of London Stock Exchange plc, the risks are higher. Furthermore, the marketability of these shares is often restricted.

Brandon Hill Capital Limited and/or its associated companies may from time-to-time provide investment advice or other services to, or solicit such business from, any of the companies referred to in this document. Accordingly, information may be available to Brandon Hill Capital Limited that is not reflected in this material and Brandon Hill Capital Limited may have acted upon or used the information prior to or immediately following its publication. In addition, Brandon Hill Capital Limited, the directors and employees thereof and/or any connected persons may have an interest in the securities, warrants, futures, options, derivatives or other financial instrument of any of the companies referred to in this document and may from time-to-time add or dispose of such interests. Neither the whole nor any part of this material may be duplicated in any form or by any means. Neither should any of this material be redistributed or disclosed to anyone without the prior consent of Brandon Hill Capital Limited. Brandon Hill Capital Limited is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange.

Brandon Hill Capital Limited may distribute research in reliance on rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US Institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Brandon Hill Capital Limited does not accept any responsibility. By accepting this document, you agree that you have read the above disclaimer and to be bound by the foregoing limitations/restrictions. Please note that unless otherwise stated, the share price used in this publication is taken at the close of business for the previous day.

Brandon Hill Contact List

International Sales

Oliver Stansfield

Tel: +44 20 3463 5061

Email: oliver.stansfield@brandonhillcapital.com

Corporate Finance & Broking

Jonathan Evans

Tel: +44 20 3463 5016

Email: jonathan.evans@brandonhillcapital.com

Wei Jiao

Tel: +44 20 3463 5019

Email: wei.jiao@brandonhillcapital.com

Research

William Arnstein

Tel: +44 20 3463 5020

Email: william.arnstein@brandonhillcapital.com

Robert Beenstock

Tel: +44 20 3463 5023

Email: robert.beenstock@brandonhillcapital.com

Peter Rose

Tel: +44 20 3463 5034

Email: peter.rose@brandonhillcapital.com

Enzo Aliaj

Tel: +44 20 3463 5026

Email: enzo.aliaj@brandonhillcapital.com