

Acquisition of Realm Energy  
International Corporation

**SAN LEON**   
ENERGY

August 2011

AIM Symbol:	SLE
Market Cap @ 25p/share:	£205.5m
Shares outstanding:	822.1m
Fully diluted:	946.5m
52 week price range:	13.8p – 41.0p
30 day avg. daily volume:	2.1m
Institutional ownership:	Circa. 50%
Officer / director ownership:	21.61%

## Corporate Headquarters

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UK  
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Note: Data as at 25-Aug-11

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**San Leon and Realm Energy International Corporation (“Realm”) have signed an Arrangement Agreement for San Leon to acquire all of the outstanding shares of Realm**

- Consideration of C\$1.30 per share in a cash and share offer
  - Maximum of C\$17.7m in cash ~12%
- Values Realm’s current issued share capital at ~C\$150m
- Cash positive to San Leon following inclusion of Realm cash
- Irrevocable undertakings from 37.7% of Realm shareholders to accept the offer
- Acquisition strengthens San Leon’s core assets and shale focus in Poland
  - Two licences in the Baltic Basin covering 374,851 acres
  - One licence in the Podlasie Basin covering 90,068 acres
- Upside potential from Spanish and French licence applications

- ✓ **Become the leading shale player in Poland**
  - 14 shale licences covering 1.7 million net acres
  - Entry into the Podlasie Basin adjacent to ExxonMobil acreage where the first vertical well has now been drilled
  
- ✓ **Material core area growth in fully licensed areas**
  - Increase net Polish shale position by 36%, adding 464,919 net acres
  - Increase net Baltic Basin position by 95%, adding 374,851 net acres
  - No free licences remaining in the Baltic, Podlasie and Lublin Basins
  
- ✓ **Accretive on a per Baltic Basin acre basis**
  - Combined acreage provides upside valuation to where peers are currently trading
  
- ✓ **Ability to leverage San Leon's in-country operational & technical team**
  - Proven operational & technical team to add material value to Realm assets
  
- ✓ **Shale diversification and access to further upside**
  - 10 applications in Spain covering over 2.0m acres
  - 10 applications in France in conjunction with a JV with ConocoPhillips
  - Entry into the Lower Saxony Basin in Germany
  
- ✓ **Limited additional capital required**
  - Realm currently has approximately C\$24 million of cash on its balance sheet
  - Near-term capital expenditure commitments on Realm's licences are minimal; seismic acquisitions being the largest

<p><b>Consideration</b></p>	<ul style="list-style-type: none"> <li>- C\$1.30 per share in cash, 3.30 San Leon shares, or a combination of cash and shares             <ul style="list-style-type: none"> <li>- Share exchange ratio is based on San Leon's 60-day VWAP from 25 August 2011, the day prior to signing the Arrangement Agreement</li> <li>- Transaction is subject to proration such that a maximum of C\$17.7m of the consideration is paid in cash</li> </ul> </li> </ul>
<p><b>Offer Price &amp; Premium</b></p>	<ul style="list-style-type: none"> <li>- Offer: C\$1.30 per Realm share where each Realm shareholder will receive, for each Realm share, at such shareholder's election</li> <li>- i) C\$1.30 in cash; or ii) 3.30 new ordinary shares in the capital of San Leon; or iii) a combination thereof; subject to a maximum of C\$17.7 million in cash being paid to Realm shareholders in aggregate.             <ul style="list-style-type: none"> <li>- a premium of 46.1% to the current share price of Realm;</li> <li>- a premium of 116.7% to Realm's closing share price the day prior to San Leon's first approach to Realm's Board; and</li> <li>- a premium of 136.4% to Realm's closing share price the day prior to the announcement of the initiation of a strategic review of Realm's Polish interests</li> </ul> </li> </ul>
<p><b>Structure &amp; Requirements</b></p>	<ul style="list-style-type: none"> <li>- Plan of Arrangement under British Columbia law, subject to Realm shareholder and court approval</li> <li>- Realm shareholder approval requires 66 2/3% and "majority of minority" of votes cast at Realm shareholder meeting</li> </ul>
<p><b>Realm Shareholders in Favour</b></p>	<ul style="list-style-type: none"> <li>- Realm shareholders representing 37.7% of shares outstanding have executed hard lockups in support of the transaction             <ul style="list-style-type: none"> <li>- Realm management and Board of Directors representing 7.0% of shares outstanding support the transaction</li> </ul> </li> </ul>
<p><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>- Realm meeting materials have been mailed</li> <li>- Shareholders expected to vote on 20 Oct 2011</li> <li>- Closing expected in October 2011</li> </ul>

- Taxable Canadian shareholders of Realm with an adjusted cost base less than the value of the San Leon shares obtained would have to pay tax upon disposition of their Realm shares
  - Would require liquidation of some San Leon shares or funding the tax liability through alternative means
- To avoid this, Exchangeable Shares will be offered to Realm shareholders
- The Exchangeable Shares will be shares of a Canadian corporation, ExchangeCo, which is an indirectly wholly-owned subsidiary of San Leon
  - Will be exchangeable by the holder for the San Leon shares that the Realm shareholder would have originally received
- Realm shareholders that receive Exchangeable Shares will be able to “roll-over” or defer the tax until the shares are exchanged for San Leon shares or sold
- Exchangeable Shares do not count as voting shares

Realm's key assets are two licences in the Baltic Basin covering 374,851 net acres and one licence in the Podlasie Basin covering 90,068 net acres

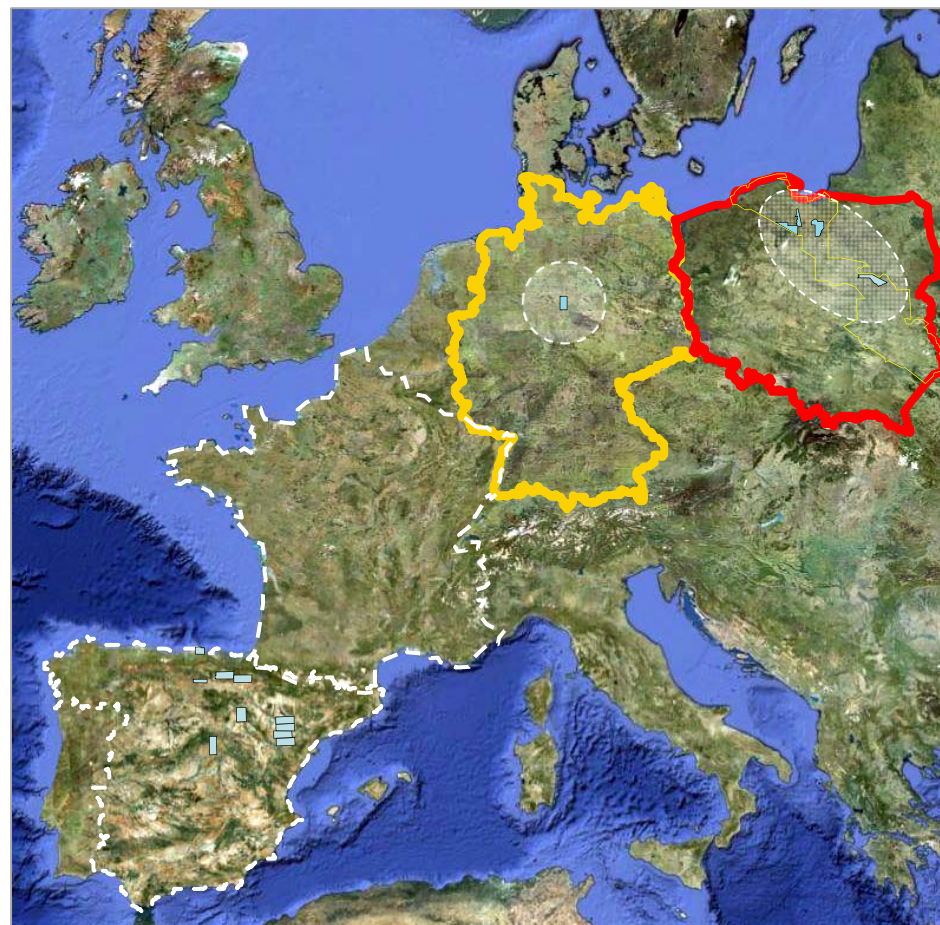
## Realm Highlights

- Significant Polish shale position covering ~465,000 net acres
  - Two licences in the Baltic Basin
    - Gniew (100% interest) & Ilawa (50% interest)
  - One licence in the Podlasie Basin
    - Wegrow (50% interest)
- Large interest in current licences
- Additional licences under application in Spain (2,000,000 acres) and France (2,400,000 acres)
- Acquiring 150 km 2D seismic in H2 2011 over Gniew and Ilawa
- Plan to begin drilling on licences in late 2012 to early 2013

## Licence Summary

Licence	Net Interest	Partner	Operator	Gross Acres	Net Acres
<b>Poland</b>					
Gniew	100%	-	Realm	294,296	294,296
Ilawa	50%	LNG Energy	LNG Energy <sup>1</sup>	161,109	80,555
Wegrow	50%	LNG Energy	LNG Energy <sup>1</sup>	180,136	90,068
<b>Poland Total</b>					<b>464,919</b>
<b>Germany</b>					
Aschen	100%	-	Realm	15,888	15,888
<b>Germany Total</b>					<b>15,888</b>
<b>Total</b>					<b>480,807</b>

## Licence Map

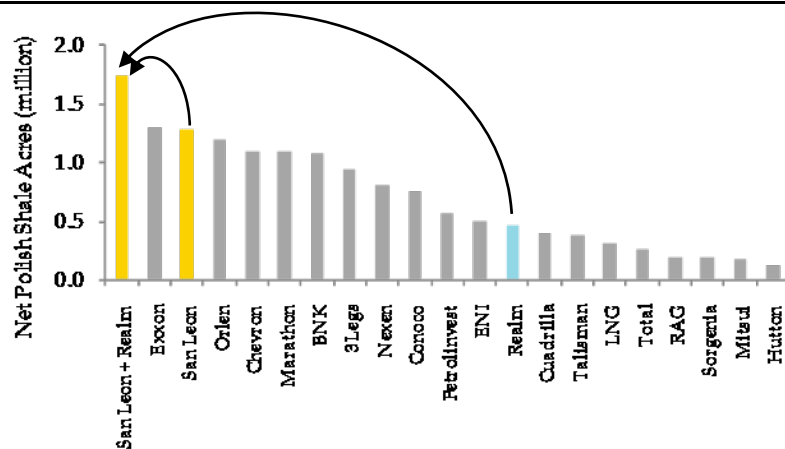


1. LNG has assumed the role of Manager for the concessions and is in negotiations with Realm with respect to a more detailed JOA. It is expected that LNG will be appointed operator of the concessions

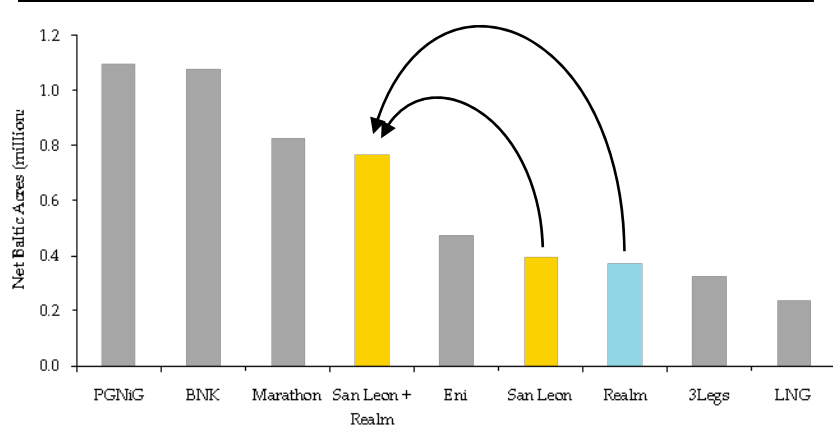
# Combined Position in Poland

The acquisition increases San Leon's Polish shale position to 1,738,755 net acres and San Leon's Baltic Basin position to 769,329 net acres

Net Polish Shale Acres

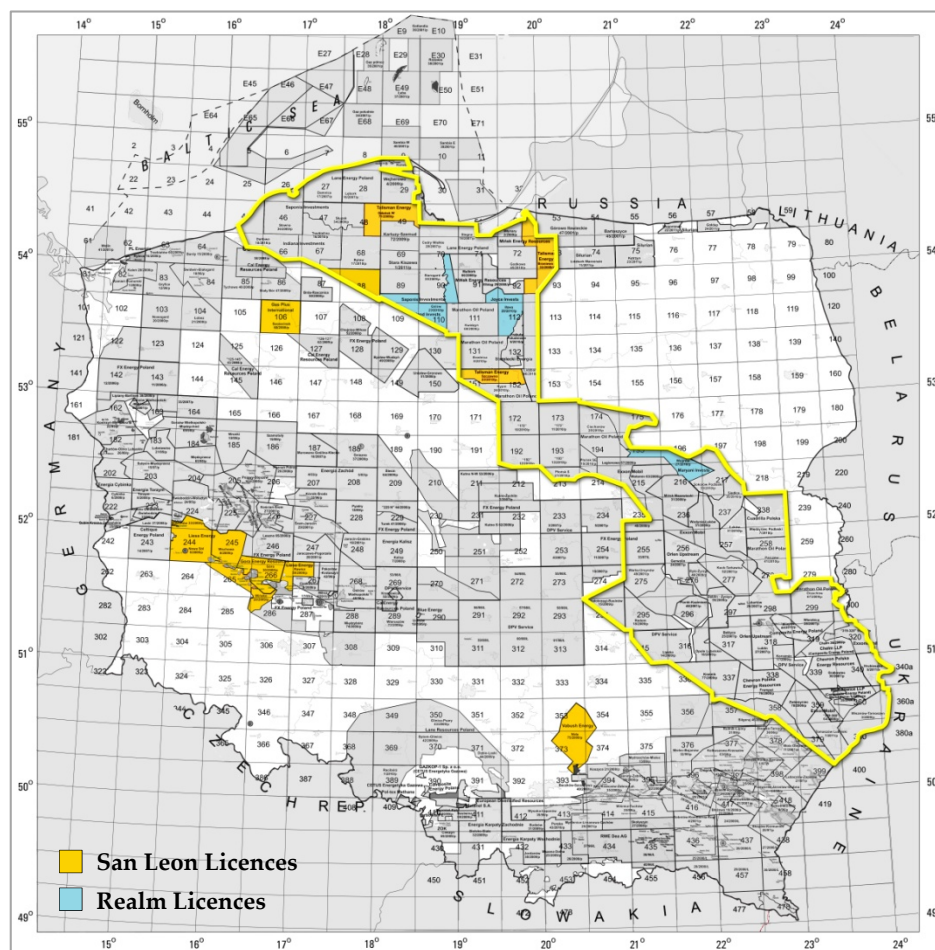


Net Baltic Basin Acres



Source: Company reports, Wood Mackenzie  
Note: Excludes PGNiG and Lotos

Combined Position in Poland





## The acquisition increases San Leon's focus on shale gas exploration in Poland

### San Leon Portfolio Post-Acquisition



Note: Areas are gross

San Leon will shoot seismic on Gniew and Ilawa in Q4 2011 and begin drilling on each licence between late 2012 and early 2013

CoS	Net Bet Estimate P50 Risked Prospective Resources	Well	2011		2012		Total	
			Q3	Q4	Q1	Q2		
<b>Talisman Farm-in (Estimated US\$80-120m Carry)</b>								
Poland - Baltic Basin Shale Gas	25%	250 MMBOE <sup>1</sup>	Gdansk W - 1 <sup>2</sup>					2
			Braniewo S - 1					1
			Szczawno - 1					1
			Gdansk W - 2					(1)
			Braniewo - 2					(1)
			Szczawno - 2					(1)
<b>Talisman Wells</b>			<b>1</b>	<b>2</b>	<b>1 (1)</b>	<b>(2)</b>	<b>4 (3)</b>	
<b>Other</b>								
Poland - Baltic Basin - Gniew	TBA	TBA						
Poland - Baltic Basin - Ilawa	TBA	TBA						
Poland - Podlasie Basin - Wegrow	TBA	TBA						
Poland - Nida	40%	2 MMBOE	Nida - 1					2 (1)
			Nida - 2					
			Nida - 3					
Poland - Szczecinek	30%	12 MMBOE	Sylvia - 1				1	
Poland - Nowa Sol	50%	1 MMBOE	Nowa Sol - 1				2	
			Nowa Sol - 2					
Poland - Wschowa	15%	115 MMBOE	Wschowa - 1				2	
Poland - Gora-Rawicz-Winsko	15%	110 MMBOE	Gora - 1					
			Gora - 2					
Morocco - Zag Basin	10%	167 MMBOE	Zag - 1					
Morocco - Tarfaya Basin	5%	35 MMBOE	J North - 1					
Morocco - Tarfaya Oil Shale	5%		Pilot Project					
Albania - Durresi			Durresi					
Early Stage, Low Risk Assets								
<b>Total Risked Resources</b>		<b>692 MMBOE</b>	<b>Total Wells</b>	<b>3</b>	<b>4 (1)</b>	<b>4 (1)</b>	<b>(2)</b>	<b>11 (4)</b>

Seismic
  Drilling
  Contingent Drilling
  Oil Shale Pilot Project

(#) Indicates number of contingent wells

1. Net resource figure assumes Talisman farms in for a 60% interest

2. Talisman have provided a firm commitment for a 1,000m horizontal as part of their farm-in terms but it is yet to be decided which licence it will be on

- C\$1.30 cash and share offer; implied transaction value of C\$150m
- Attractive acquisition price and accretive on a per acre basis
- Strengthens San Leon's position as one of the leading shale players in Poland
- San Leon's strong in-country technical team to add material value to Realm assets
- San Leon remains well funded to carry out its high impact work programme