LION energy

Annual Report 2020

CORPORATE DIRECTORY

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Thomas Soulsby (Executive Chairman)
Damien Servant (Executive Director)
Russell Brimage (Non-executive Director)
Chris Newton (Non-executive Director)
Zane Lewis (Non-executive Director)

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This financial report covers both Lion Energy Limited as an individual entity and the consolidated entity comprising Lion Energy Limited and its subsidiaries. The Group's presentation currency is United States Dollars (US$). The functional currency of Lion Energy and all other controlled entities of Lion Energy Limited is United States Dollars (US$). A description of the Group's operations and of its principal activities is included in the review of operations and activities in the director's report. The director's report is not part of the financial report.

CONTENTS

2D seismic acquisition in the Kobi Area of the East Seram PSC, November 2020

HIGHLIGHTS

Financial

- Market capitalisation at 2.5 cps of A$5.4m as at 31 December 2020, compared to A$4.8m as at 31 December 2019.
- Lion's strategy to offset and share risks with strategic partners like CPC Corporation of Taiwan ("CPC") continued, with the successful joint execution of a 664km high resolution marine seismic acquisition program in the East Seram PSC.
- CPC have funded 80% of the marine seismic costs and will continue to fund 80% of the East Seram PSC onshore seismic costs up to a total cap of US$8.5m.
- Continuing prudent financial management in challenging industry conditions, consolidated cash balance of US$661,624 at 31 December 2020.
- Seram (Non-Bula) PSC continues to be cash flow positive with ongoing cost savings and higher oil price with a steady production performance.
- Lion's revenue share from crude oil liftings in Seram (Non-Bula) PSC US$875,033 (before deduction of Indonesian Government entitlement).

Organisation

- The Jakarta office performed well supporting the seismic operations team led by industry and Indonesian veteran, Alan Fenwick. The Jakarta team delivered permits, approvals, and seismic contracting for the East Seram marine seismic program within budget and schedule. Planning is progressing for the onshore seismic program.
- Seismic processing commenced in December and interpretation will be completed under the experienced and watchful eye of Kim Morrison, Lion's exploration manager. The Finance team have established solid systems for regulatory, internal and partner reporting.

Operations

- Lion acquired 664km of seismic in the Kobi and Bula Bay areas of the East Seram PSC, on schedule and on budget.
- Lion is now well progressed to meet all firm commitments under the East Seram PSC in H1 2021.
- Gross production from the Seram (Non-Bula) PSC was 0.630 million barrels (average 1,722 bopd) for the year, a flat production performance year on year.
- Gross crude oil liftings for the year from the Seram (Non-Bula) PSC 790,008 barrels (Lion net share 19,750 barrels after GOI entitlement).
- Operating costs per barrel for the production operations was $21.24 (down from $23.84 in the previous year)
- Lion commenced planning, permitting and contract preparations for onshore seismic activities.

CHAIRMAN'S MESSAGE

Introduction

Welcome to the annual report to shareholders.

Lion has successfully traversed a tumultuous Covid-19 year (2020) with a focus on getting things done safely and effectively, whilst observing and responding to continued changes in sentiment towards the upstream fossil fuel industry.

We believe that global energy demand is set to increase robustly in 2021, with emerging markets pushing it above 2019 levels. Oil demand is expected to rebound but be below pre-covid levels due to the aviation sector remaining under pressure. Stimulus packages and vaccine rollouts are driving growth rates in economic output to recover by 5%+. These factors bode well for sustained oil and gas price recovery.

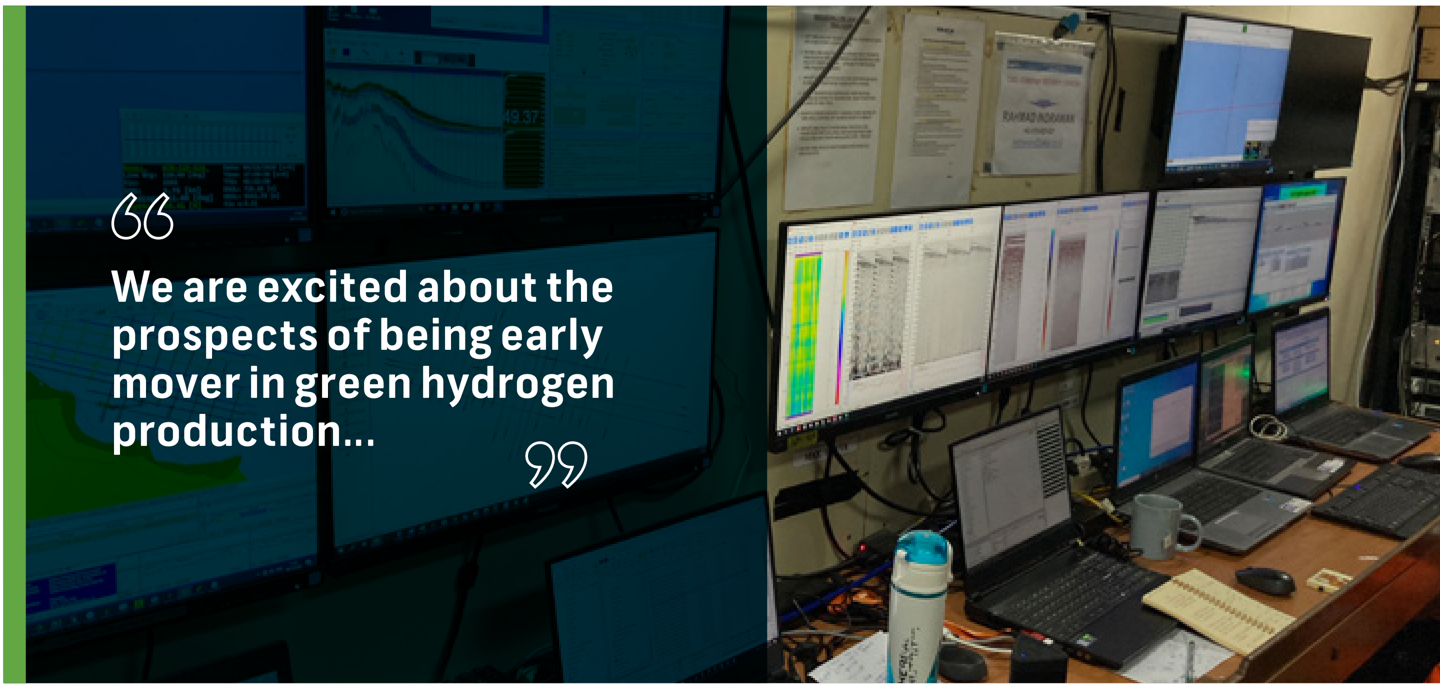
Global natural gas demand is being driven by Asia, which is on our doorstep. Natural gas demand is expected to rise by 3%+. The continued growth in renewables and natural gas prices in the USA means that demand growth there is stymied.

Lion remains committed to its exciting conventional oil and gas business in Indonesia leveraged to the above Asian trends. Despite activity levels being lower than expected at the Seram (Non-Bula) PSC, we reported a 203% increase in proven and probable oil reserves. Production decline was effectively zero year on year, with field decline supported by a new well, Oseil-29, and the successful water shut-off well service on Oseil-28. Independent consultants confirmed the significant 1.5TCF 2C Lofin discovery.

We were very active in our operated East Seram PSC and we expect potential drillable targets to be identified and finalized in 2021 on the back of a 664km high resolution marine 2D seismic acquisition completed in Q4 2020.

Meanwhile, the company recently announced that it is busy positioning itself at the critical juncture of resources, markets and technology in green hydrogen in Australia. We are excited about the prospects of being an early mover in green hydrogen production.

Whilst we see a material ongoing role for oil and gas in the global energy mix over the coming decades and that we are well placed to play a role, your board has made a strategic decision to explore energy sector diversification and opportunities in the potentially disrupting green hydrogen gas/liquids business, announcing such a plan after year end.



Chairman's Message

2020 Operational Highlights

Despite the considerable challenges presented by Covid-19, the company was active in both the East Seram and the Seram (Non-Bula) PSC's in 2020.

In East Seram where Lion is the operator with a 60% working interest, we completed required technical work, contract management, and logistical planning culminating in the successful acquisition of a 664km offshore seismic survey in November 2020. Some 507km was acquired in what we call the Kobi Area or Prospect Area 1, and 157km was acquired in the Bula Bay area of Prospect Area 2. The offshore survey targeted the Plio-Pleistocene oil plays of the Bula Oil Field extension and analogous structures, a newly identified carbonate reef play and a new turbidite sandstone play.

Concurrent with the offshore survey planning and execution Lion continued work on the planned 200km onshore survey which will target 5 high ranked leads including some of the largest undrilled structures in Indonesia. The timing of this survey has been delayed due to Covid-19 but the survey is now anticipated to commence in late 2021/early 2022.

Lion participated in steady year on year oil production from the Oseil field in the Seram (Non-Bula) PSC which delivered an average daily production rate of 1722 bopd (39 bopd net to Lion). Operating costs per barrel fell 10.7% from US$23.84/bbl in 2019, to US$21.24/bbl in 2020. The operator, Citic Resources, continues to reduce operating expenditure whilst maximizing production. Citic is planning further well testing of Lofin-2 in 2022, to investigate reservoir deliverability and pressure support to help with commercialization plans.

Embracing the energy market disruptor: green hydrogen

Lion recently announced the registration of "Lion H2 Energy" and an exciting strategy for potential participation in the green hydrogen industry. As part of the strategy Lion has established a Hydrogen Advisory Board and the appointment of experts to systematically analyse optimal electrolyser locations in Australia and a review of the best value and fit for purpose solar, wind and electrolyser technologies. Lion seeks to position itself at the critical juncture of resources, markets and technology in green hydrogen in Australia

In closing

A more supportive oil and gas price environment and being on the footstep of Asia has generated more interest in our conventional oil and gas assets in recent times. This reality combined with our proposed move into green hydrogen is expected to support our business in 2021. Lion is positioning itself at the critical juncture of material resources in Asia for markets in Asia, and applying that approach to green hydrogen in Australia. I believe that our upsteam oil and gas skills lend themselves to developing both our existing oil and gas business and hydrogen markets and a sustainable green hydrogen business.

We look forward to working for you on these exciting opportunities and creating substantial shareholder value.

Sincerely

Tom Soulsby
Executive Chairman

LEADERSHIP TEAM
Board and Management

Tom Soulsby
Executive Chairman

Tom Soulsby was appointed Executive Chairman on 13 February 2018.

Mr Soulsby is the CEO of Risco Energy (Risco) and has over 20 years' experience in the oil and gas and resources sector spanning investment banking, corporate business development and management/leadership roles.

A graduate of Swinburne (B.Bus Accounting) and Monash Universities (Grad Dip Arts (Asian Studies)), he initially worked as an accountant, starting his career at KPMG and Western Mining. Mr Soulsby then moved to Potter Warburg (now UBS) in Melbourne as a resources equity research analyst. He subsequently joined ANZ in Melbourne, before being posted to Jakarta and ultimately Singapore as director of corporate finance and merchant banking. As a Director at Indonesian- listed Energi Mega Persada (EMP) from 2003 to 2008, he was responsible for the acquisition of assets which added 525 MMboe to EMP's 2P reserves – a key growth driver for the company.

Mr Soulsby has been instrumental in securing backing for Risco prior to its incorporation in 2010, as well as growing the company and its capabilities in his role of Chief Executive Officer. Under leadership of Mr Soulsby, Risco has participated in and funded over US$500m in successful transactions since 2010. He led the significant valuation creation, and subsequent monetisation, of Risco's first South East Asian oil and gas conventional and unconventional portfolio in 2013.

Damien Servant
Executive Director

Mr Servant has more than a decade of experience in investment banking in South East Asia, with expertise in regional oil and gas asset debt funding. A background in engineering compliments Mr Servant's extensive regional investment banking experience.

Starting his investment-banking career with BNP Paribas, Mr Servant then joined Merrill Lynch as a director of Debt Capital Markets Division in Singapore. He went on to become a Director of Standard Merchant Bank's Debt Products Group before joining Risco Energy in 2013 where he was CFO. Mr Servant holds an engineering degree from École Nationale Supérieure des Télécommunications and a Master of Finance from University Paris Dauphine.

Board and Management

Russell Brimage

Non-executive Director

Mr Brimage has in excess of 40 years of experience in the upstream oil and gas industry, in public listed oil and gas companies and the service industry, both onshore and offshore. In the service industry, founder and Managing Director of Oilserv Australia in 1982 – the company became a dominant service contractor in Australia providing contract field operations, testing and wire-line services, facility design and construction, and drilling and work-over services. In the public company arena, demonstrated capability in capacity as CEO to secure and develop producing assets, often via industry counter-cyclical transactions, to transform companies from zero revenue to positive cashflow and profitability, with successful outcomes in Indonesia and the state and federal shallow waters of the US Gulf Coast. As CEO of an ASX listed entity, early mover in identifying shale opportunities in the US with the farm-in to approximately 60,000 acres in the Niobrara shale play in the states of Colorado and Wyoming in August 2009.

Chris Newton

Non-executive Director

In a career spanning 40 years in oil and gas he has covered the spectrum of exploration, development and production, developing core strengths in petroleum economics, strategic planning, business development and ultimately, top management and leadership. A 1978 geology graduate from Collingwood College, University of Durham, England, Mr Newton also holds a Grad Dip in Applied Finance and Investment from the Securities Institute of Australia (SIA). He has spent more than 25 years in Southeast Asia in various industry capacities including Managing Director of Fletcher Challenge in Brunei, a stint as Managing Director of Shell Deepwater Borneo, President of Santos – Indonesia and CEO of Jakarta-listed oil and gas company, EMP. Along with Mr Soulsby, he was a co-founder director of Risco Energy Pte Ltd in July 2010 and was instrumental in Risco's success as a leading oil and gas investor in Southeast Asia. Mr Newton is also Chairman of ASX listed Tap Oil Ltd.

Mr Newton was an active Director of the Indonesian Petroleum Association (IPA) from 2003 to 2008, including serving as President from 2004 to 2007. He is also the oil and gas advisor to the Jakarta based Castle Asia Group.

Leadership Team

Zane Lewis

Non-executive Director

Mr Lewis has over 20 years of corporate advisory experience with ASX and AIM listed companies.

Mr Lewis is a Non-executive Director for a number of ASX Listed companies and is a Fellow of the Governance Institute of Australia.

Arron Canicais

Company Secretary

Mr Canicais is a Chartered Accountant with 10 years of experience in audit and assurance and financial officer roles. He holds a Bachelor of Commerce degree from the University of Notre Dame, Australia and is an associate member of the Institute of Chartered Accountants Australia and Governance Institute of Australia.

Mr Canicais worked for 5 years at Bentleys Audit and Corporate, a West Perth audit firm that specialises in the audits of junior exploration entities in WA. He has had significant exposure to the reporting and financial requirements of exploration entities. He is currently the CFO and Company Secretary for several ASX listed and unlisted companies.

OPERATIONAL REVIEW

East Seram PSC

Considerable progress was made during 2020 in the East Seram PSC in which Lion, through its wholly owned subsidiary Balam Energy Pte Ltd, is Operator with a 60% interest.

Despite challenges presented by the Covid-19 pandemic, Lion completed required technical work, contract management and logistical planning culminating in the successful acquisition of a 664 km offshore seismic survey in November 2020. The 507 km was acquired in Prospect Area 1 (offshore Kobi area) and 157 km acquired in Prospect Area 2 (Bula Bay area).

The survey, undertaken with the Indonesian registered MV Barakuda by the contractor PT Taka Geodrill, was conducted on-schedule, under-budget and safely with no lost time incidents. In addition, an extra 119 km 2D data was acquired over the originally planned 545 km 2D survey due to operational efficiency involving shooting selected additional data at night rather than incur standby charges. Processing of the data was completed in March 2021 with the primary work commitment for the first three year of the contract now met, a major milestone for Lion.

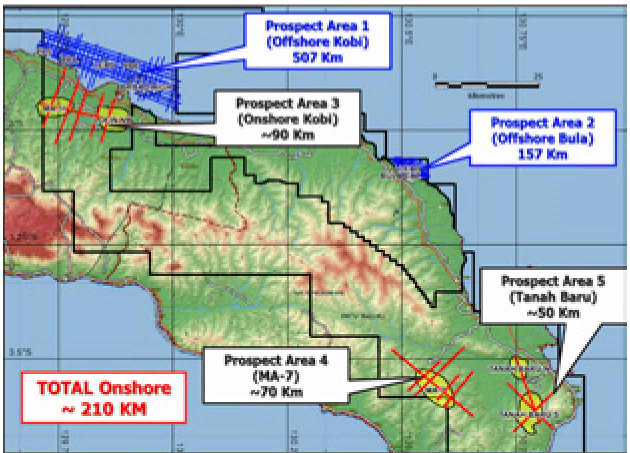
The offshore survey targets shallow Plio-Pleistocene oil plays including:

- The potential oil field extension into the East Seram PSC of the 20 mmbbl Bula Oil Field
- Analogous structures/reservoir to those present in the Bula field.
- A newly identified carbonate reef play which has similarities to major carbonate plays elsewhere in Indonesia.
- A new turbidite sandstone play

The new seismic designed with high-resolution parameters targeting the shallow target zone represents a significant improvement in terms of data resolution and quality on earlier vintage seismic surveys. Ongoing interpretation is expected to be completed in Q2 2021 and result in an upgraded offshore prospect and lead portfolio.

Concurrent with the offshore survey planning and execution Lion continued work for the planned ~200km onshore survey which will target the five high ranked leads including some of the largest undrilled structures in Indonesia. The timing of this survey has been delayed due to more challenging factors with conducting an onshore survey and is now anticipated to commence in late 2021/early 2020.

Crew deploying air guns



Map showing location of offshore seismic survey and planned onshore survey

East Seram PSC

PSC background

The East Seram PSC was signed on 17 July 2018. The East Seram PSC operates under the new gross split PSC system that facilitates the Operator, Lion, to operate under reduced bureaucratic and administrative burden, with internationally competitive fiscal terms.

Lion announced in September 2019 the farming out of a 40% participating interest to OPIC East Seram Corporation ("OESC"), a subsidiary of Taiwan's CPC Corporation. Formal Government of Indonesia approval for the farmout was obtained on 14 April 2020.

In consideration for earning a 40% participating interest, OESC agreed to pay back costs of approximately $0.94 million plus 40% share of the performance bond collateral, being $0.15 million. OESC also committed to pay 80% of total seismic costs up to $8.5 million and to fund 40% of geological and geoscience ("G&G") costs and related administrative costs from 1 September 2018. In addition, OESC will advance 20% of Lion's well costs for any follow up exploration well, repayable out of production. Lion's total receipts from the farmout were $1.378 million.

The East Seram PSC joint venture (JV) signed a Joint Operating Agreement in November 2019.

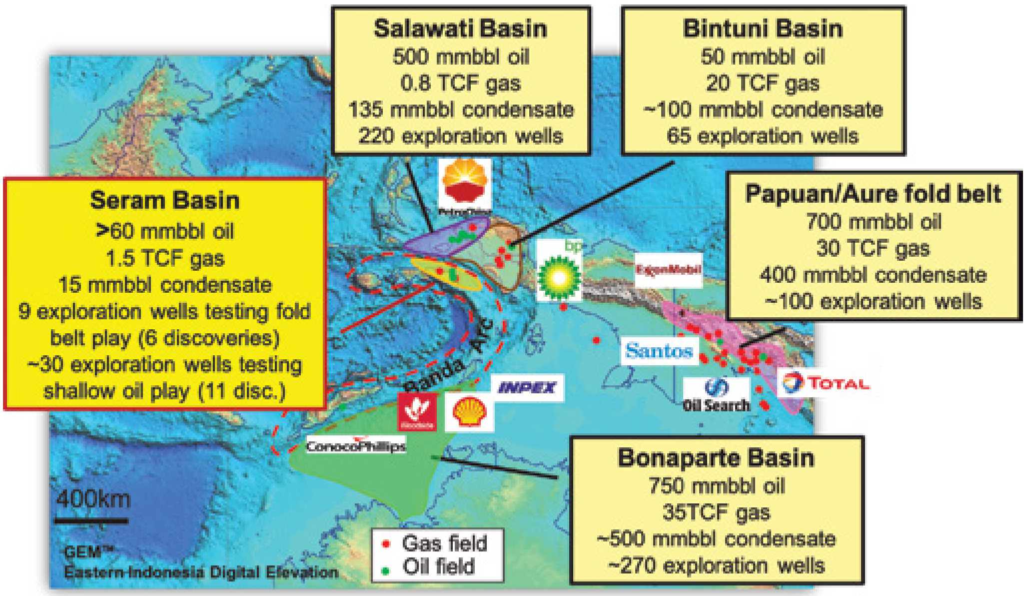
The work commitment of 500km of 2D seismic within the first three year primary term has now been met with the acquisition and processing of the recent 664 km offshore survey.

Seismic survey vessel MV Barakuda

East Seram PSC

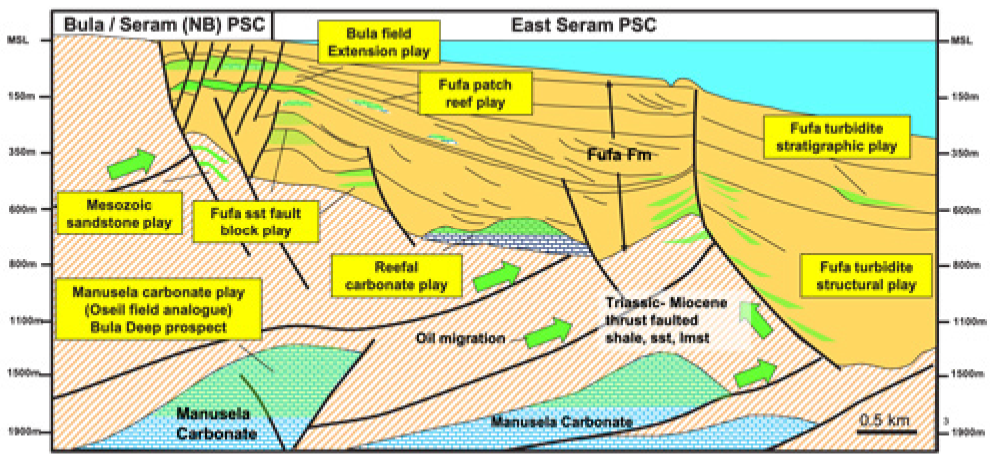
Technical overview

The 6,510 km^2 East Seram PSC encompasses a significant part of the Eastern Indonesian Seram Basin. This exciting emerging basin contains the producing Oseil and Bula oil fields and the recent 1.5 TCF Lofin gas field. It has geological affinities to nearby provinces that host major oil and gas reserves, including the prolific Papuan fold belt in PNG as well as the Salawati and Bintuni basins in Irian Jaya.



The East Seram block contains two main proven plays:

- The Triassic to Middle Jurassic Manusela limestone oil and gas play is the primary reservoir objective with over 400mmboe discovered to date in the basin including the producing Oseil field and the Lofin gas field discovery. All 6 wells that have intersected the Manusela limestone to date in the area have been discoveries. The limestone is often fractured resulting in good flow rates. MA-7 is the highest ranked lead and is expected to be oil prone with reservoir objective estimated at approximately 1500m. Technical work, including a major structural study conducted by Lion, highlights similarities of the Seram fold belt, in terms of geological age, paleo-geographic setting, fractured Jurassic limestone reservoir and Triassic-Jurassic source rock type, to world- class fold belt plays in Iran (Zagros fold belt).
- A shallow Plio-Pleistocene oil play with sandstone & carbonate objectives in the Fufa Formation. The new marine seismic survey has targeted this sequence which includes the 20 mmbbl producing Bula Oil field. The East Seram PSC includes the undrilled potential offshore extension of this field, analogous structures and exciting newly identified carbonate and turbidite sandstone targets.



Geoseismic section showing Key plays in the Bula Bay area

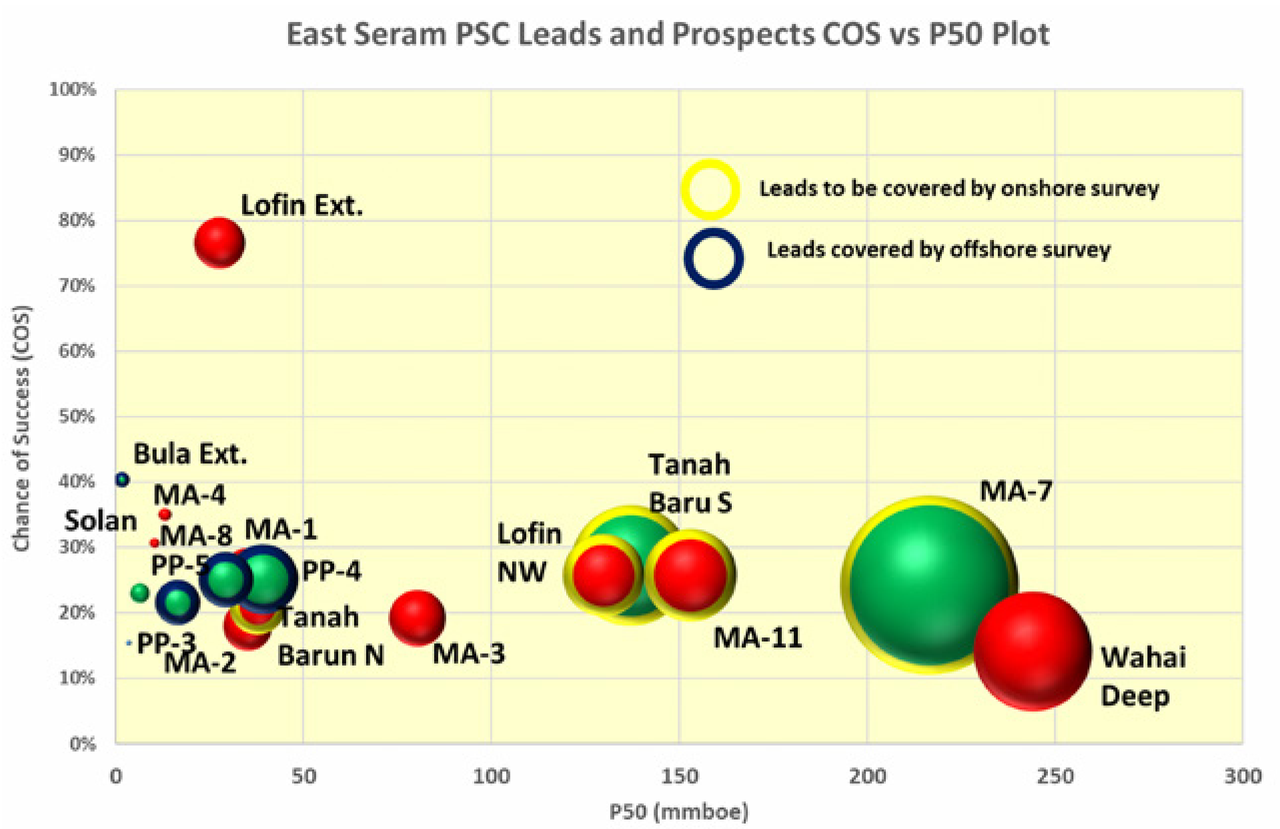
East Seram PSC

Portfolio

A total of 18 prospects and leads are currently characterised in the East Seram PSC. Additional prospect and leads are expected to emerge following interpretation of the offshore data. The planned ~210km onshore seismic will target 5 key fold belt structures with the same fractured Manusela limestone objective as has proven oil and gas bearing in the Oseil and Lofin fields. The survey involves approximately 90 km covering the MA-10 and MA-11 leads close to the Lofin field in Prospect Area 3. A further 110 km of seismic is programmed for the anticipated more oil prone southeast of the PSC to cover additional exciting leads including the large (up to 50 km^2) MA-7 lead in Prospect Area 4 and the Tanah Baru North and South leads in Prospect Area 5. The survey is aimed to high grade the portfolio and result in a number of world-class, drill ready prospects. Details are shown in the Reserves and Resource section of this report.

A plot of Chance of Success vs P50 Prospective Resource shows this impressive portfolio which we believe includes some of the most attractive undrilled structures in SE Asia.

The green coloured bubble indicates leads which are likely oil filled structures, whereas red indicates likely gas filled structures. Bubble size is related to relative NPV (net present value). Leads targeted in offshore and planned onshore seismic program are circled in blue and yellow respectively.



Field activity and future plans

During the year Lion conducted a number of trips to the Seram region and developed strong cooperative relationships with local, regional government bodies and agencies as well as the Government of Indonesia bodies overseeing oil and gas activities. All required permits for the offshore and onshore surveys were obtained with some of the permits for the onshore surveys currently being extended due to delays in commencement of the survey due to the Covid-19 pandemic. A tender for the onshore survey was conducted during the year and there have been ongoing discussion with potential onshore seismic contractors. Lion aims to commence the onshore survey as soon as can be safely conducted with a target commencement in late 2021/ early 2022 and clear Covid-19 protocols will be in place.

Seram (Non-Bula) PSC

Seram (Non-Bula) PSC

Lion, through its wholly owned subsidiary Lion International Investment Limited, holds a 2.5% participating interest in the Seram (Non-Bula) Block Production Sharing Contract onshore Seram Island in eastern Indonesia.

The major equity holder and Operator of the Joint Venture is CITIC Seram Energy Limited (41%). Other partners include PT Petro Indo Mandiri (30%), PT GHJ Seram Indonesia (10%) and Gulf Petroleum Investment (16.5%). The block contains the Oseil oilfield and surrounding structures that produced at an average rate of 1722 bopd during 2020 (39 bopd net to Lion). Since initial field start-up in January 2003, the Oseil field area has produced 18,709,476 barrels of crude oil at 2020 calendar year end. The block contains the Lofin gas discovery which the joint venture appraised in 2014-15 with the highly successful Lofin-2 well. The 100% 2C contingent gas-in-place resource for Lofin is 2.636 tcf, a significant onshore gas discovery. The PSC extension granted in 2018 commenced 1st November 2019 for a further 20 year term.

Reserves and Resources

Reserves and resources have been updated in accordance with Reserves Report effective as at the 31 December 2020, conducted by global oil and gas consultants Miller and Lents.

Oseil Area Reserves (mbbl)

	Reserves (Gross) 100%[1,2,3,4]			Reserves (net to Lion working interest)		
	Proven (1P)	Proven & Probable (2P)	Proven, Prob & Poss. (3P)	Proven (1P)	Proven & Probable (2P)	Proven, Prob & Poss. (3P)
EOY 2019	781	2,776	4,181	19.5	69.4	104.5
Production	-630	-630	-630	-15.7	-15.7	-15.7
Revision	3,187	2,201	2,957	79.7	55.0	73.9
EOY 2020	3,338	4,347	6,508	83.5	108.7	162.7

1. Reserve estimates as at 31 December 2020 based on Miller and Lents Report.
2. Reserve estimates have been calculated using the deterministic method. Analysis of performance trends were used to estimate proved developed reserves. The performance trends associated with new well were used to assess how wells scheduled for future drilling would perform for the purpose of estimating proved undeveloped reserves as well as the probable and possible reserves associated with the future wells.
3. The key difference in latest Oseil Oil Reserves estimates compared in 31 December 2019 apart from the impact of production during the year, is additional well production history during 2020 with analysis of these trends with low, mid and high side future production estimates, the impact of the Oseil-29 well drilled in May 2020 which commenced production in late May and as at 31 December had produced 53 mbbl, the impact of the successful water shut-off operations on the Oseil-28 well during 2020 and as a result 3 additional shut-off operations are planned in future years.
4. The Possible Category includes the forecast impact of the Oseil-23 well drilling a potential field extension in the Oseil-2 area.

Seram (Non-Bula) PSC

Oseil Area Contingent Resources (mbbl)

	Contingent Oil Resources[1,2,3] (Gross)			Contingent Oil Resources (Net to Lion working interest)		
	1C	2C	3C	1C	2C	3C
EOY 2019	140	837	10,184	3.5	20.9	254.6
Revision	47	304	-1,704	1.2	7.6	-42.6
EOY 2020	187	1,141	8,480	4.7	28.5	212.0

1. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
2. The contingent oil resources are within the Seram (Non-Bula) PSC which had a 20 year extension granted effective 1st November 2019 to 1st November 2039. The Contingent Resources are calculated deterministically based on field structural data and reservoir and testing information from discovery and appraisal/development wells on the accumulations. Developing these resources will require additional development drilling on these accumulations and application of development techniques, including horizontal drilling, that have proven successful in the Oseil 1/2 and Oseil 4 areas.
3. The Contingent Resource shown are largely based on the Miller and Lents Report. Analysis was undertaken for Contingent Resources on the Oseil Field, Oseil Tenggara, Neif Utara A and East Neif accumulations. Analysis was not done by Miller and Lents on the Neif Utara B and Oseil Selatan accumulations and the previously reported Oil Contingent Resources for these accumulations are still valid (refer Lion Press Release 14 May 2021). The overall number in the Report reflects a modest increase in 1C and 2C estimated recoverable (34% and 36% respectively) although with 17% decreases in the Total 3C recoverable numbers. This decrease in 3C recoverable is primarily a result of Miller and Lents not currently assigning any recoverable volume to the Oseil Tenggara or Neif Utara A accumulations calculated Oil-in-Place Contingent Resource.
4. No estimate has been presented in this table for the Dawang gas field or the Lofin gas/condensate field. For estimates relating to Lofin, please refer to table of Lofin resource estimate.

Seram (Non-Bula) PSC

Production

Production for the reporting period from 1 January 2020 to 31 December 2020 for the Oseil oilfield and surrounding structures was 630,311 barrels of crude oil at an average daily rate of 1722 bopd (39 bopd net to Lion). This compares to an average daily rate of 1725 bopd (40 bopd net to Lion) for calendar year 2019 reporting period.

Production decline was effectively zero year on year, with field decline supported by a new well, Oseil-29, and the successful water shut-off well service on Oseil-28.

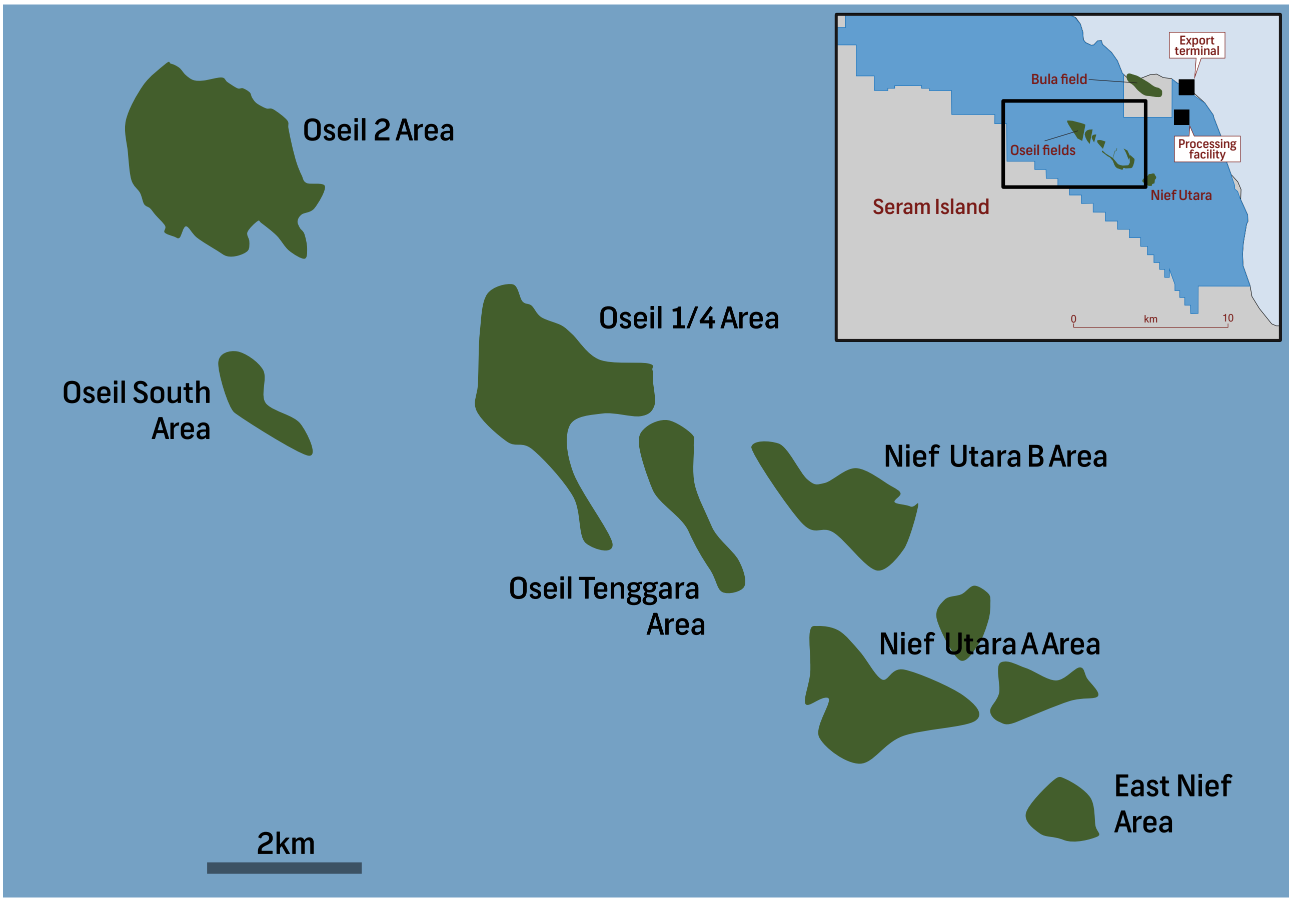
The joint venture continues to focus on operating cost reduction. Whilst production decline was effectively zero, operating costs per barrel declined from $23.84 in 2019 to $21.24 in 2020. The Operator continues efforts to reduce operating expenditure whilst maximizing production.

Three crude oil liftings were completed in 2020.

Date of Lifting	Crude oil lifted (bbl)	Revenue (Net to Lion) USD
2-Jan-20	155,268	$233,628
28-Sep-20	350,056	$323,641
28-Dec-20	284,684	$317,764

Note: Revenue is before deduction of Indonesian Government entitlement.

Seram (Non-Bula) PSC



Lofin Gas Discovery

In 2015 the Lofin-2 appraisal well confirmed a material gas discovery. The Lofin structure is a thrust faulted four-way dip anticline located 60km west of the Oseil Oil Field. The field is mapped on 1990 and 2008 vintage 2D seismic lines and is approximately 4km wide and 10km in length.

The reservoir is the fractured carbonate of the Jurassic/Triassic age Manusela formation which is the reservoir in the producing Oseil Oil Field. The overlying Jurassic marine Kola shale provides the regional seal with the main source rock interpreted to be the underlying mature Late Triassic to Early Jurassic Saman-Saman Formation.

The Lofin-1 exploration well was drilled in 2012 to a total depth of 4427m MD (4323m ssTVD) and was interpreted still to be in hydrocarbons, representing a current minimum interpreted gross hydrocarbon column of 160m. Downhole shut-in pressure data acquired during testing operations indicated potential for a significant hydrocarbon column below the total depth of the Lofin-1 well.

The Lofin-2 well to appraise the Lofin-1 discovery spudded on 31 October 2014. Lofin-2 intersected the primary Manusela objective at 4615m MD (4508m ssTVD) and continued through to a total depth of 5861m MD (5686m ssTVD). Tested gas quality is good with only approximately 3.7% C02.

Lofin-2 delineated a continuous gas column of up to approximately 1300m for the large Lofin structure and provided critical new information on porosity of the Manusela limestone, net/gross within the hydrocarbon column, fracture density, hydrocarbon saturation and fluid type. The Operator is planning further well testing of Lofin-2 in 2022 to investigate reservoir deliverability and pressure support to help with commercialization plans. A 3D seismic survey is being planned for 2022 to enable planning of additional appraisal and development wells and to enable full field development.

Contingent Resource estimates by Miller and Lents (M&L) in a report effective 31 December 2020 are shown in the tables overleaf.

Seram (Non-Bula) PSC

The M&L recoverable Contingent Resource estimate (100%) is 1C: 752 2C: 1450 3C: 1764 Bcf gas (Lion share 1C: 18.8 2C: 36.3 3C 44.1 Bcf). In contrast, the M&L recoverable Contingent Resource estimate compared to numbers reported as at EOY 2019 which were based on a 2015 Independent Expert Report are shown in the following table. The 2015 report did not report a 3C estimate.

Lofin Field Gas Contingent Resources Movements (bcf)						
	Contingent Gas Resources[1,2] (Gross)			Contingent Gas Resources (Net to Lion working interest)		
	1C	2C	3C	1C	2C	3C
EOY 2019	879	2020	NA	22.0	50.5	NA
Revision	-127.0	-570.0		-3.2	-14.3	
EOY 2020	752	1450	1764	18.8	36.3	44.1

The key difference in M&L's numbers is a lower gas recovery factor estimate (2C: 55% vs previous 70% recovery factor) and some more conservative assumptions on the structural model interpretation of the Lofin structure.

Lion acknowledges that while the Lofin Field is clearly a highly significant gas and condensate resource, there is still considerable uncertainly on its volume potential. Based on this uncertainly and to be prudent, Lion have elected to report the lower M&L Contingent Resource numbers for the field until additional information becomes available. The resource estimates for the Lofin gas is classified as contingent resource as there is no certainty of development due to various factors including, amongst others, economic, regulatory, market and facility, and resource appraisal.

In-place and Contingent Resources[1,2] Lofin Field, Seram (Non-Bula) Block PSC, Seram Island, Indonesia (as at 31 December 2020)						
Manusela Formation Reservoir	Gross (100%) PSC					
	In-place			Recoverable		
	1C	2C	3C	1C	2C	3C
Gas (bcf)	1671	2636	2714	752	1450	1764
Condensate (mmbbl)[3]				6.4	12.3	15.0
Total (mmboe)[4]	279	439	452	132	254	309
Manusela Formation Reservoir	Net to Lion Working Interest (2.5%)					
	In-place			Recoverable[3,5]		
	1C	2C	3C	1C	2C	3C
Gas (bcf)	41.8	65.9	67.9	18.8	36.3	44.1
Condensate (mmbbl)[3]				0.2	0.3	0.4
Total (mmboe)[4]	7.0	11.0	11.3	3.3	6.3	7.7

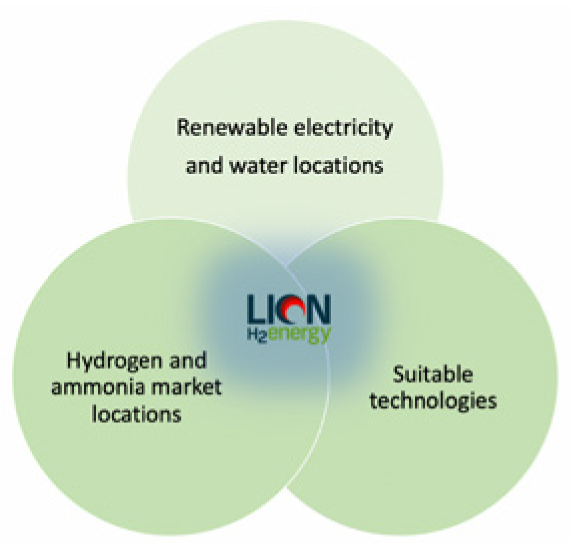
1. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
2. The Contingent Gas resources for the Lofin Field provided in the table are based on analysis of M&L using a deterministic approach.
3. No estimate of condensate volumes is provided in the Miller and Lents report and as a result the estimate of recoverable condensate is based on the ratio of Gas to Condensate established by testing of the Lofin 1 and Lofin 2 wells (8.5 bbls/mmscf).
4. Conversion factor of 6 mcf = 1 barrel of oil equivalent (boe).

Green Hydrogen:
Embracing the energy market disruptor

The year 2020 earmarked an awakening of interest amongst countries and large industrial MNCs across hydrogen (H2), H2 fuel cell, electrolyser technology, and carbon capture & storage (CCS). In 2021, Lion Energy is undertaking a strategic review into H2 opportunities and will update shareholders as this work progresses.

While H2 is still in its nascent stages, volumes and revenue are expected to grow exponentially in the coming decade.

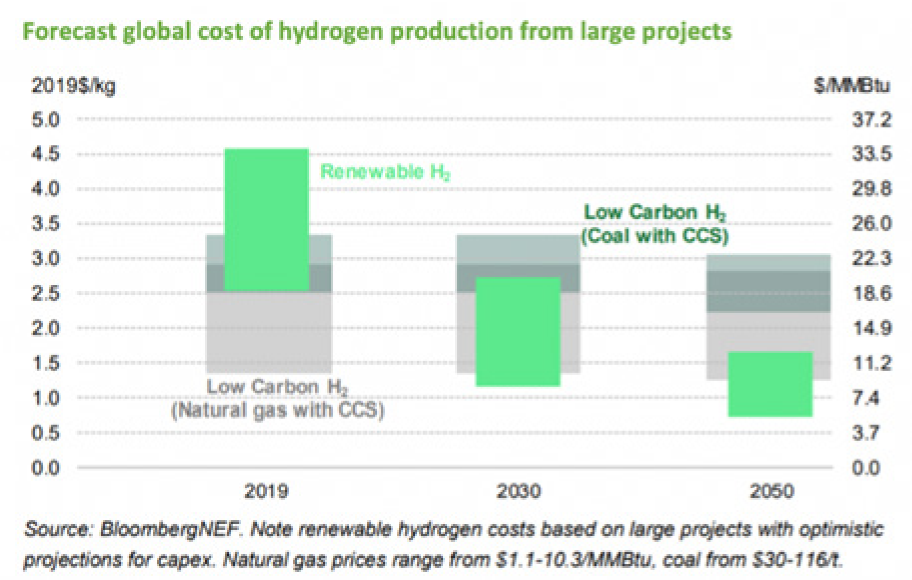
Our 2021 direction provides a pathway for Lion Energy to participate in the emerging low carbon/emission energy transition. Lion is positioning itself at the optimum juncture of resources (renewable electricity and water), markets and technology.



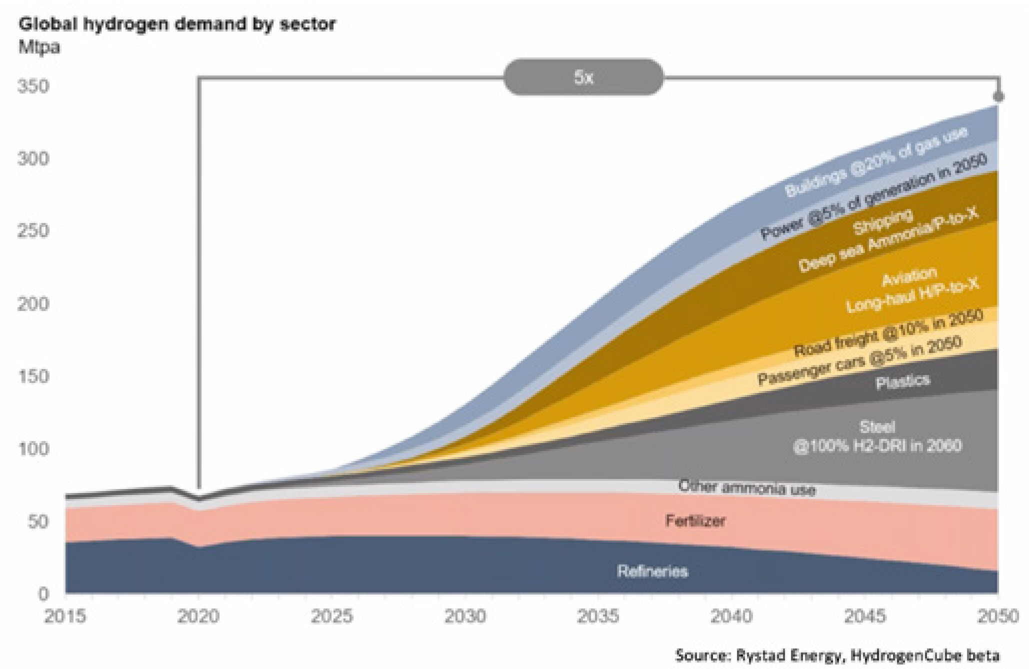
Our rationale for venturing into green hydrogen is simple.

Green hydrogen is emission free in production and consumption. We expect global hydrogen consumption to more than double by 2030 with the growing scale in solar and wind energy poised to drive costs lower, accelerating green hydrogen commercialization.

Green Hydrogen

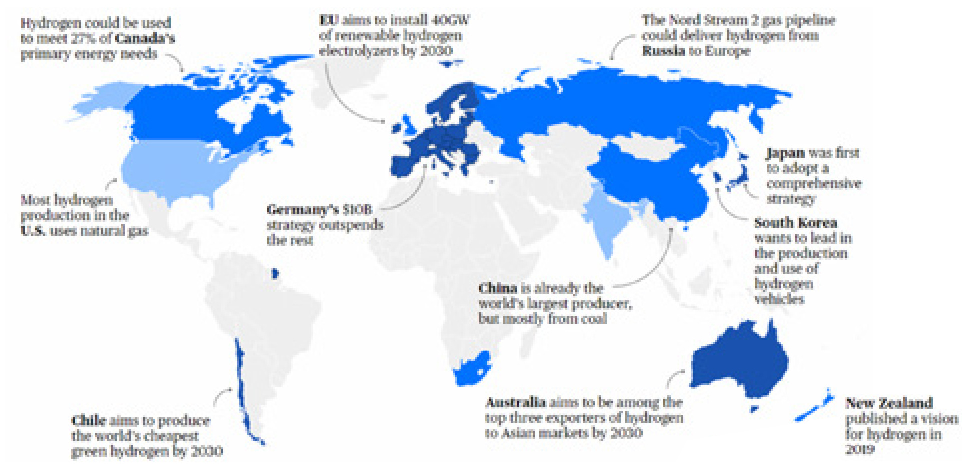


We consider the opportunity in green hydrogen is so big, that it would be a mistake to not seriously investigate opportunities in this space. Hydrogen is a versatile energy carrier, can be produced from almost all energy resources, Todays use of H2 in oil refining and chemical production is dominated by H2 from fossil fuels, with significant associated CO2 emissions. Its high density-to-weight ratio makes it suitable for use in higher energy industrial vehicles, in preference to batteries made from lithium-ion. Hydrogen burns at high temperatures, suitable for use in hard-to-decarbonise industries (steel, cement, heavy transport).



We see serious tail winds from governments to embrace hydrogen. Some 70% of global GDP (including the USA), have signed up to develop hydrogen strategies. Achieving cost competitiveness won't happen without new government targets and subsidies. In European markets alone, BloombergNEF estimates green H2 will require $150B subsidies by 2030 and $11 trillion by 2050 for the fuel to meet 24% of the continent's energy demand by 2050. EU announced plans to scale up renewable hydrogen projects and invest €470B by 2050.

Green Hydrogen



Sources: Eurasia Group; International Energy Agency; Bloomberg

Note: Black outlines demarcate EU countries, and don't necessarily indicate a national strategy exists.

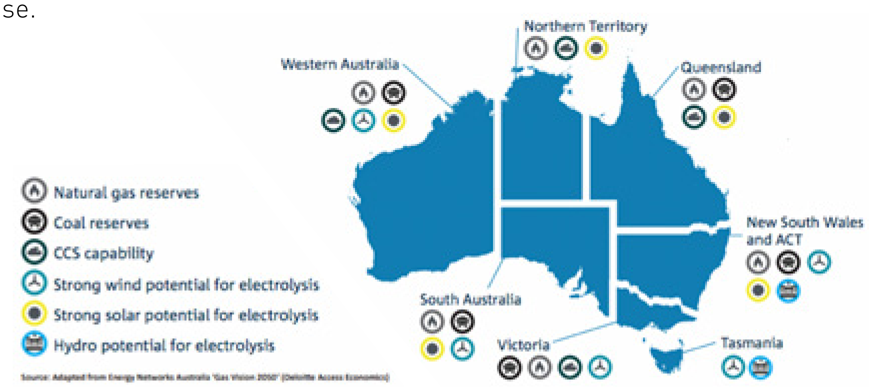
The private sector is aggressively joining the chorus. We are seeing large MNC's in transport and commodities vocal in supporting a low carbon, zero emission future. Financial investors are seeing hydrogen as a key pillar of the emerging disruptive innovation investment strategy.

Critically, Australia has a comparative advantage in renewable energy.

Australia's abundant renewable resources position the country for becoming one of the lowest cost green H2 producers, especially for the Asian market.

Hydrogen should offer fresh opportunities for export, replacing declining coal exports over the next few decades.

The Australian Government is investing A$275M in clean H2 and A$265M in CCS to help its manufacturing sector decarbonise.



Lion has formulated the following systematic approach to capture green hydrogen opportunities.

1. The establishment of a team of hydrogen experts, which form a Hydrogen Advisory Board.
2. The appointment of experts to systematically analyse optimal electrolyser locations in Australia.
3. The securing of land rights, subject to available renewable energy supply and hydrogen or ammonia market potential
4. The determination of best value and fit for purpose solar, wind and electrolyser technology.
5. The appointment of a feasibility study consultant with appropriate experience.
6. Establish joint ventures with global players to build large scale solar/wind farms and relevant energy storage facilities to produce green hydrogen at lowest cost for domestic and export markets
7. The potential co-investment in the downstream to enable H2 markets such as the distribution of H2 to heavy vehicles.

The approach above is intended to provide shareholders with a broad overview of Lion's Hydrogen Strategy. Lion cautions that there can be no certainty that a suitable hydrogen opportunity will be identified. Further, there can be no certainty that any conditions precedent to progressing such an opportunity (including, without limitation, compliance with ASX Listing Rules 11.1.2 and/or 11.1.3 to the extent applicable) will be satisfied. Investors are therefore cautioned against placing undue reliance on the Hydrogen Strategy resulting in an opportunity that Lion will successfully execute at this time.

GLOSSARY

bbl: barrel

bcf: billion cubic feet

bopd: barrels oil per day

CNG: compressed natural gas

GWC: gas water contact

LNG: liquefied natural gas

mbbl: thousand barrels

MD: measured depth

mmbbl: million barrels

mmscfgd: million standard cubic feet of gas per day

MNC: multinational corporation

ppg: pounds per gallon

PSC: production sharing contract

psi: pounds per square inch

POFD: plan of further development

sq.km: square kilometers

ss: subsea

tcf: trillion cubic feet

TD: total depth

TVD: true vertical depth

RESERVES AND RESOURCES

Reserves and Resources[1] (as at 31 Dec 2020)	Play	100% (Gross)						Lion WI Share					
		Gas/Associated Gas Recoverable (Bcf)			Oil/Condensate Recoverable (MMbbl)			Gas/Associated Gas Recoverable (Bcf)			Oil/Condensate Recoverable (MMbbl)		
Reserves[2,3,4,5,6]		1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Oseil Area Developed	Manusela				1.542	1.542	1.542				0.039	0.039	0.039
Oseil Area Undeveloped[7]	Manusela				1.796	2.805	4.966				0.045	0.070	0.124
Total Reserves					**3.338**	**4.347**	**6.508**				**0.083**	**0.109**	**0.163**
Contingent Resources[8]		1C	2C	3C	IC	2C	3C	1C	2C	3C	1C	2C	3C
Seram Oseil Area[9]	Manusela	0.39	1.34	10.36	0.19	1.14	5.91	0.01	0.03	0.26	0.00	0.03	0.15
Seram PSC Lofin Field[10]	Manusela	752.0	1450.0	1764.0	6.4	12.3	15.0	18.80	36.25	44.10	0.16	0.31	0.37
Total Contingent Resources		**752.37**	**1451.34**	**1774.36**	**6.58**	**13.47**	**20.90**	**18.81**	**36.28**	**44.36**	**0.16**	**0.34**	**0.52**
Prospective Resources[11,12]		Low P90	Best P50	High P10	Low P90	Best P50	High P10	Low P90	Best P50	High P10	Low P90	Best P50	High P10
Bula Dangkal	Kanikeh/ Manusela				1.9	8.2	25.9				0.046	0.20	0.65
East Seram PSC (Lion 60%)													
MA 7	Manusela	33.7	160.6	748.3	39.4	189.8	881.4	20.2	96.3	449.0	23.6	113.9	528.8
Wahai Deep	Manusela	196.4	689.6	2632.9	34.1	129.1	466.8	117.8	413.8	1579.7	20.4	77.5	280.1
Tanah Baru S	Manusela	77.4	281.9	911.1	22.7	90.0	339.1	46.4	169.1	546.6	13.6	54.0	203.5
MA 11	Manusela	164.2	587.4	2017.5	15.9	55.1	184.3	98.5	352.4	1210.5	9.5	33.1	110.6
Lofin NW (MA 10)	Manusela	147.6	485.6	1623.5	13.9	49.0	146.7	88.6	291.3	974.1	8.3	29.4	88.0
MA 3	Manusela	62.5	236.3	860.1	10.7	40.9	143.5	37.5	141.8	516.0	6.4	24.6	86.1
Tanah Baru N	Manusela	36.1	123.7	424.6	4.6	17.5	61.1	21.6	74.2	254.8	2.8	10.5	36.7
MA 2	Manusela	23.8	96.4	349.6	4.8	19.2	75.0	14.3	57.8	209.7	2.9	11.5	45.0
MA 8	Manusela	26.1	100.8	359.3	5.3	21.0	81.2	15.7	60.5	215.6	3.2	12.6	48.7
MA 1	Manusela	32.1	100.4	294.6	5.4	17.8	53.3	19.3	60.2	176.7	3.2	10.7	32.0
Lofin Extension	Manusela	69.2	154.4	291.7	0.9	2.0	3.9	41.5	92.6	175.0	0.6	1.2	2.3
MA 4	Manusela	18.2	58.8	176.0	0.9	3.3	9.7	10.9	35.3	105.6	0.5	2.0	5.8
MA 4 NE	Manusela	14.5	41.5	122.6	1.1	3.5	11.0	8.7	24.9	73.5	0.7	2.1	6.6
PP4	Plio-Pleistocene	3.7	11.6	35.9	10.5	37.2	129.6	2.2	7.0	21.5	6.3	22.3	77.8
PP5	Plio-Pleistocene	3.9	8.2	19.5	10.7	27.8	71.2	2.3	4.9	11.7	6.4	16.7	42.7
PP3	Plio-Pleistocene				3.1	6.4	13.1	0.0	0.0	0.0	1.9	3.8	7.9
Solan	Plio-Pleistocene	0.7	1.5	3.6	1.5	3.5	8.7	0.4	0.9	2.1	0.9	2.1	5.2
Offshore Bula	Plio-Pleistocene				0.5	1.6	4.8	0.0	0.0	0.0	0.3	1.0	2.9
Sub-total East Seram PSC		*909.9*	*3138.6*	*10870.6*	*185.8*	*714.8*	*2684.3*	*546.0*	*1883.2*	*6522.3*	*111.5*	*428.9*	*1610.6*
Total Prospective Resource		**909.9**	**3138.6**	**10870.6**	**187.7**	**722.9**	**2710.2**	**546.0**	**1883.2**	**6522.3**	**111.5**	**429.1**	**1611.2**

Notes:

1. Reserve and contingent resource estimates as at 31 December 2020 primarily based on Miller and Lents (M&L) Report. Contingent Resource estimates for the Neif Utara B, Oseil Selatan oil accumulations and also the 2008 Dawang Gas discovery based on previously reported work of resource certifier DeGolyer and McNaughton. Refer to the table on page 12 for a reconciliation of the Company's petroleum reserves holding against that of the prior year. Refer to the table on pages 13 and 16 for a reconciliation of the Company's contingent resource holding against that of the prior year.
2. Reserve estimates have been calculated using the deterministic method. Analysis of performance trends were used to estimate proved developed reserves. The performance trends associated with new well were used to assess how wells scheduled for future drilling would perform for the purpose of estimating proved undeveloped reserves as well as the probable and possible reserves associated with the future wells.
3. The key difference in latest Oseil Oil Reserves estimates is additional well production history during 2020 with analysis of these trends with low, mid and high side future production estimates, the impact of the successful water shut-off operations on the Oseil-28 well during 2020 with the 3 additional shut-off operations planned in future years.
4. Economic assumption by M&L in their analysis includes a net oil price equivalent to the net realized oil price in dollars per barrel ($/BBL) that has been adjusted for quality considerations using a differential defined as a percentage of the benchmark oil price. Fixed and variable operating expenses which included well servicing and water shutoff expenses employed in this evaluation were provided by the Operator CITIC based on realistic estimates. Development costs employed in this evaluation were also provided by the Operator CITIC and included costs for: (1) drilling and completion of new wells and facilities, (2) reactivation of shut-in wells, (3) cement water shut-off for high water-cut wells, and (4) abandonment costs for new wells. No future escalation was applied to these values in the economic model. These costs were applied to M&L's 1P, 2P, and 3P future production forecasts in the economic model.
5. The Proved Developed cases include forecasts of currently producing wells reserves and proved developed nonproducing reserves. The estimated Proved Developed Reserves were estimated by production decline extrapolations or volumetric calculations. Production declines were extrapolated to an assumed minimum technical limit. Extrapolations of future performance are based, whenever possible, upon the average performance trend of active wells during periods of stable field activity. The estimated Proven Developed Non-producing reserves can be produced from existing wells, but require expenditures for well-related workover activities. Reserves for these wells were estimated based on M&L's review of similar well-related workover activities. The estimated Proven Undeveloped Reserves require significant capital expenditures to drill and complete the planned future wells. The Proved Undeveloped Reserves are expected to be produced from undeveloped portions of known reservoirs that have been adequately defined by wells. Reserves estimates are based upon volumetric calculations that employ recovery factors derived from the performance of existing wells. Forecasted production rates are based upon analogy and were scheduled according to the drilling plans provided by the Operator CITIC.
6. Developed reserves include production for Oseil 2, Oseil 1/ 4 Oseil Tenggara and Neif Utara A area with estimates of 1P, 2P and 3P based on forecasts of M&L and include estimated impact of planned water shut off operations. The main difference with between the 1P and 2P and 3P reserves estimates area based on higher recovery factor estimates from wells from 1P to 2P and from 2P to 3P based on individual well production analysis (which may include additional workovers, water shut off operations than currently approved). Note 2P and 3P Reserve estimates provided by M&L do not include a breakdown of Developed vs Undeveloped and for simplicity reserves in these categories are assigned to the Undeveloped category.
7. Includes undeveloped reserves which are quantities expected to be recovered through future investments: (a) from new wells on undrilled acreage in known accumulations, (b) from deepening existing wells to a different (but known) reservoir, (c) from infill wells that will increase recovery, or where a relatively large expenditure is required to either recomplete an existing well or install production or transportation facilities for primary or improved recovery projects. The Oseil 2 area with approved plan for 3 additional wells planned for 2023/2024 is included in this Proven Undeveloped category with range of outcomes based on production estimates from the Operator. The Possible Category includes the potential impact of Oseil-23 well (date to be determined) drilling a potential field extension in the Oseil-2 area. The oil fields in the Oseil area are currently producing at ~1500 bopd. The marketing arrangement, infrastructure and environmental approvals are in place to cope with production of any reserves currently categorised as undeveloped. The Oseil 2 area with approved plan for 3 additional wells is included in this Proven undeveloped category with range of outcomes based on production estimates from the Operator. The Possible Category includes the potential impact of Oseil-23 well drilling a potential field extension in the Oseil-2 area.
8. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
9. The contingent oil resources are within the Seram (Non-Bula) PSC which had a 20 year extension granted effective 1st November 2019 to 1st November 2039. The Contingent Resources are calculated deterministically based on field structural data and reservoir and testing information from discovery and appraisal/development wells on the accumulations. Developing these resources will require additional development drilling on these accumulations and application of development techniques, including horizontal drilling, that have proven successful in the Oseil 1/2 and Oseil 4 areas.
10. The Contingent Gas resources for the Lofin Field provided in the table are based on analysis of M&L using a deterministic approach. Data was provided by the PSC Operator CITIC. No new information was available on the field, with changes to previous Contingent Resource estimates related to more conservative (lower) estimates for recovery factor based on M&L understanding of similar type accumulations and also a more conservative interpretation on the structural model for the field. The Lofin Gas Field development is subject to planned work including further testing of the Lofin-2 well, currently scheduled for late 2021/early 2022 to more accurately determine gas deliverability, reservoir characteristics, water contact information and potential reservoir extent. Planned 3D seismic in 2022/2023 over the Lofin Field area will more accurately assess the field extent and contingent resource volumes. Development plans and the potential gas marketing strategy will be partly contingent on the results of this planned work. The Lofin Gas Field is within the Seram (Non-Bula) PSC which had a 20 year extension granted effective 1st November 2019 to 1st November 2039.
11. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery (geological chance of success or GCOS) and a chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. There is no certainty that any portion of the prospective resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
12. Prospective Resources in this Table have been estimated probabilistically at lead level but combined arithmetically to provide the portfolio number. The aggregate P90 may be a very conservative estimate and the aggregate P10 may be a very optimistic estimate due to the portfolio effects of arithmetic summation.

Competent Persons Statement

Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator

Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information, reserve and resource reporting provided in this document are based on and fairly represent information and supporting documentation that has been prepared and/or compiled by Mr Kim Morrison, Exploration Manager of Lion Energy Limited. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has over 30 years' experience in exploration, appraisal and development of oil and gas resources - including evaluating petroleum reserves and resources. Mr Morrison has reviewed the results, procedures and data contained in this website. Mr Morrison consents to the release of this report and to the inclusion of the matters based on the information in the form and context in which it appears. Mr Morrison is a member of AAPG.

Governance and Audit Information

The governance arrangements for the reporting of hydrocarbon Reserves and Resources are based on the following procedure: Periodic assessment of proposed changes and additions to the Company's Reserves and Resource database, based on technical work conducted by Lion Energy staff and advisors with contributions from asset operators, peer review and external experts where appropriate.

For the Seram (Non-Bula) PSC the Oseil field reserves and Oseil field and Lofin contingent resources are largely based on the Miller and Lents Report effective 31 December 2020. Results are reviewed by Lion Energy, overseen by the Exploration Manager who is a petroleum reserves and resources evaluator qualified in accordance with ASX Listing Rule requirements.

No public reporting of any reserves or resources estimate is permitted without approval of the Chief Executive Officer. All public reporting of the reserves or resources estimates is in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and Lion Energy's policies. Annual reports are subject to Board approval.

The Reserves, Contingent Resources and Prospective Resources estimates provided in this report are overseen by Mr Kim Morrison (Exploration Manager). A deterministic method has been used to compile Reserve and Contingent Resource estimates and the probabilistic method has been used to compile Prospective Resource estimates.

Financial Report
2020

For the period 1 January to
31 December 2020

Lion Energy Limited
ABN 51 000 753 640

DIRECTOR'S REPORT

The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company" or "Lion") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity" or "the Group") for the year ended 31 December 2020. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company in office at any time during or since the financial period and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

Russell Brimage
Thomas Soulsby
Christopher Newton
Damien Servant
Zane Lewis

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the period were oil & gas exploration, development and production and investment in the oil & gas industry.

There were no significant changes in the nature of the principal activities during the financial period.

OPERATING RESULTS

The net loss for the Consolidated Entity, after income tax amounted to $746,274 for the year ended 31 December 2020 (2019: $778,200).

DIVIDENDS

No dividends have been paid or declared during the financial year by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the year ended 31 December 2020.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial period:

SERAM (NON-BULA) PSC (LION 2.5%)

Lion participated in oil production and workover activities in the Seram (Non-Bula) PSC in 2020. Gross production from the Seram (Non-Bula) PSC was 630,311 barrels (average 1,727 bopd) for the year, virtually identical to 2019 production (which was itself a 10% decline over 2018).

The natural decline of the field was fully offset by production from the new O-29 well drilled and completed in April 2020.

Gross crude oil liftings for the year from the Seram (Non-Bula) PSC were 790,008 barrels (2019: 476,384 barrels) owing to 3 lifting having been completed during the year (January, September and December) compared to one lifting only in 2019. The last lifting in December 2020 was 284,684 barrels, representing the bulk of the crude oil inventory available. As a result, gross inventory at 31 December 2020 was insignificant.

Operating costs for the production operations was $20.9 per barrel, down from $23.8 per barrel in the previous year on the back of cost reduction measures.

The impact of Covid-19 on Seram (Non-Bula) operations was minimal, with no interruptions of production or delaying of activities.

EAST SERAM PSC

The East Seram PSC was signed in July 2019 with Lion having a 100% participating interest. Lion announced in September 2019 the farming out of a 40% participating interest to OPIC East Seram Corporation ("OESC"), a subsidiary of Taiwan's CPC Corporation. The farmout was conditional upon the approval of the GOI, which was received on 13 April 2020.

During Q4 2020, Lion completed the acquisition of 664km of high resolution 2D data offshore Seram Island. Once the processing of the data is complete (expected in April 2021), Lion will have met its firm commitment obligations in the East Seram PSC.

An onshore seismic acquisition survey was planned for 2020, however it was deferred due to concerns on COVID-19 given the large numbers of personnel required in the field. It is now programmed to commence in late 2021 (Covid-19 protocols permitting).

A structural reconstruction study was completed during the quarter giving important new insights into the development of some of the major structural features that form attractive targets in the PSC. Given the size of prospects in the onshore area, Lion will apply for a deferral of its relinquishment obligations in Q2 2021.

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS

Lion will continue to pursue its principal activity of oil and gas exploration and evaluation, particularly in respect of the existing projects, which may involve the further farming out of a further interest in the East Seram PSC. Lion will also continue to evaluate new business opportunities in Indonesia with a focus on adding production-oriented projects.

EXPLORATION RISK

Oil and gas exploration and developments are high risk undertakings, and there is no assurance that exploration on the contract areas will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that is can be economically exploited. The future exploration activities of the company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical issues, industrial and environmental accidents and many other factors beyond the control of the company.

The Board of Directors manage this risk by (i) performing thorough technical reviews of all exploration acreage, (ii) limiting exposure to any one exploration project, (iii) ensuring work commitments are kept at manageable levels and (iv) farming down exposure where appropriate.

ENVIRONMENTAL ISSUES

The Company's operations comply with all relevant environmental laws and regulations, and have not been subject to any actions by environmental regulators.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

THOMAS LEO SOULSBY
DIRECTOR (EXECUTIVE CHAIRMAN)

Qualifications and Experience:

Mr Soulsby is the CEO of Risco Energy (Risco) and has over 20 years' experience of the oil and gas and resources sector spanning investment banking, corporate business development and management/leadership roles.

A graduate of Swinburne (B.Bus Accounting) and Monash Universities (Grad Dip Arts (Asian Studies)), he initially worked as an accountant, starting his career at KPMG and Western Mining. Mr Soulsby then moved to Potter Warburg (now UBS) in Melbourne as a resources equity research analyst. He subsequently joined ANZ in Melbourne, before being posted to Jakarta and ultimately Singapore as director of corporate finance and merchant banking. As a Director at Indonesian-listed Energi Mega Persada (EMP) from 2003 to 2008, he was responsible for the acquisition of assets which added 525 MMboe to EMP's 2P reserves – a key growth driver for the company.

Mr Soulsby has been instrumental in securing backing for Risco prior to its incorporation in 2010, as well as growing the company and its capabilities in his role of Chief Executive Officer. Under Mr Soulsby's leadership, Risco has participated in and funded over US$500m in successful transactions since 2010. He led the significant valuation creation, and subsequent monetisation, of Risco's first South East Asian oil and gas conventional and unconventional portfolio in 2013. Mr Soulsby was a key driver for strategic stakes in both Tap Oil and Lion Energy for Risco.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Tap Oil Ltd (resigned 31 January 2018)
Interest in shares and options of the Company at the date of this report:	797,340
Directors meetings attended:	5 of 5 held during term in financial period
Appointed:	10 January 2014

RUSSELL ERNEST BRIMAGE
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Mr Brimage has in excess of 40 years' experience in the upstream oil and gas industry, in public listed Oil & Gas companies and the service industry, both onshore and offshore. In the service industry, founder and Managing Director of Oilserv Australia in 1982 – the company became a dominant service contractor providing contract field operations, testing and wire-line services, facility design and construction, drilling and work-over services. In the public company arena, demonstrated capability in capacity as CEO to secure and develop producing assets, often via industry counter-cyclical transactions, to transform companies from zero revenue to positive cash flow and profitability, with successful outcomes in Indonesia and the state and federal shallow waters of the US Gulf Coast. As CEO of an ASX listed entity, early mover in identifying shale opportunities in the US with the farm-in to approximately 60,000 acres in the Niobrara shale play in the states of Colorado and Wyoming in August 2009.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	None
Special Responsibilities:	None
Interest in shares and options of the Company at the date of this report:	5,061,637 Ordinary Shares
Directors meetings attended:	5 of 5 held during term in financial period
Director since:	2005

CHRISTOPHER BASIL NEWTON
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Chris Newton has had a 40-year career in oil and gas covering the spectrum of the industry – from exploration, development, production and petroleum economics to strategic planning, business development and senior leadership. Chris has spent more than 25 years in leadership and senior resource industry roles in South East Asia. Roles included Managing Director for Fletcher Challenge Petroleum in Brunei, President and GM for Santos in Indonesia and CEO of Indonesian listed Energy Mega Persada. Chris was an active Director of the Indonesian Petroleum Association (IPA) between 2003 to 2008, including serving as President from 2004 to 2007. Chris is an oil and gas adviser to the Jakarta-based Castle Asia Group. Mr Newton currently serves as Executive Chairman of Australian listed Tap Oil Ltd.

Mr Newton holds a Bachelor in Geology from Durham University, England, Mr Newton also holds a Grad Dip in Applied Finance and Investment from the Securities Institute of Australia (SIA).

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Tap Oil Ltd
Interest in shares and options of the Company at the date of this report:	437,340
Directors meetings attended:	5 of 5 held during term in financial period
Appointed:	10 January 2014

Damien Servant
Director (Executive)

Qualifications and Experience:

Mr Servant has more than a decade of experience in investment banking in South East Asia, with expertise in regional oil and gas asset debt funding.

Mr Servant's extensive regional investment banking experience is also informed by a background in engineering.

Starting his investment banking career with BNP Paribas, Mr Servant then joined Merrill Lynch as a director of Debt Capital Markets Division in Singapore. He went on to become a Director of Standard Merchant Bank's Debt Products Group before joining Risco Energy in 2013.

Mr Servant holds an engineering degree from École Nationale Supérieure des Télécommunications and a Master of Finance from University Paris Dauphine.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Nil
Interest in shares and options of the Company at the date of this report:	100,000
Directors meetings attended:	5 of 5 held during term in financial period
Appointed:	13 February 2019

Zane Lewis
Director (Non-Executive)

Qualifications and Experience:

Mr Lewis is a principal and joint founder of corporate advisory firm SmallCap Corporate which specialises in corporate advice and compliance administration to ASX listed companies.

Mr Lewis is a Non-Executive Director of Lion Energy Limited (ASX:LIO), Kingsland Global (ASX:KLO), and Fargo Enterprises Limited (ASX:FGO).

Zane provides the Board with a wealth of knowledge obtained from his diverse financial and corporate experience in previous appointments.

Mr Lewis holds a Bachelor of Economics from the University of Western Australia and is a Fellow of the Governance Institute of Australia.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Kingsland Global Limited: current Fargo Enterprises Limited: current Tap Oil Limited: delisted 18 December 2020 Vital Metals Limited: resigned 4 August 2020 Fraser Range Metals: resigned 24 December 2019 8Vic Limited: resigned 23 May 2019.
Interest in shares and options of the Company at the date of this report:	1,019,567 Ordinary Shares
Directors meetings attended:	5 of 5 held during term in financial period
Appointed:	13 February 2019

ARRON CANICAIS
COMPANY SECRETARY

Qualifications and Experience:

Mr Canicais is a Chartered Accountant with 10 years' experience in audit and assurance and financial officer roles. He holds a Bachelor of Commerce degree from the University of Notre Dame Australia and is an associate member of the Institute of Chartered Accountants Australia and Governance Institute of Australia.

Mr Canicais worked at Bentleys Audit and Corporate, a West Perth audit firm, for 5 years which specialises in the audits of junior exploration entities in WA. He has had significant exposure to the reporting and financial requirements of exploration entities. He is currently the Company Secretary for a range of ASX listed entities.

Appointed: 1 July 2015.

ZANE LEWIS
COMPANY SECRETARY

Qualifications and Experience:

Mr Lewis has over 20 years' experience and leadership of smallcap multinational companies. His hands-on skillset includes corporate advisory, non executive director and Company Secretary roles at several ASX Listed and unlisted companies as well as extensive international experience managing a group of Software and Tech companies in USA, Europe, Hong Kong, China and Australia.

Appointed: 28 March 2014, Resigned 24 March 2021.

DIRECTORS MEETINGS

During the year ended 31 December 2020, 5 meetings of directors were held. Previously and to date, due to the size of the company, there have been no board committees formed.

REMUNERATION REPORT (AUDITED)

The Directors present the remuneration report for the Company and the Consolidated Entity for the year ended 31 December 2020. This remuneration report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001* and details the remuneration arrangements for the key management personnel.

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity including all directors of the Company.

Remuneration is based on fees approved by the Board of Directors.

Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives. There is no direct relationship between remuneration and the performance of the Company.

The table below sets out information about the Consolidated Entity's earnings and share price for the past five years up to and including the current financial year.

	31/12/20 12 months	31/12/19 12 months	31/12/18 12 months	31/12/17 12 months	31/12/16 12 months
Loss after tax expenses	746,274	778,200	727,683	10,135,616	1,069,747
Loss per share – cents	0.36	0.38	0.54	9.21	1.10
Share price – cents	2.50	2.30	3.50	4.68	4.56

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial period are:

Thomas Soulsby	Executive Chairman
Russell Brimage	Non-Executive Director
Damien Servant	Executive Director
Christopher Newton	Non-Executive Director
Zane Lewis	Non-Executive Director

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executive Directors are formalised in a service agreement. For Non-Executive Directors these terms are set out in a Letter of Appointment. The major provisions of the agreements relating to remuneration per year are set out below.

Name	Base Salary/ Director Fees	Incentives through shares	Term of Agreement	Notice Period***
Thomas Soulsby*	US$202,500	-	No fixed term	1 month
Russell Brimage	US$43,200	-	No fixed term	N/A
Damien Servant**	US$142,500	-	No fixed term	1 month
Christopher Newton	US$43,200	-	No fixed term	N/A
Zane Lewis	US$43,200	-	No fixed term	N/A

* Of Mr Thomas Soulsby's total fees of $202,500, $141,750 of fees are paid out of the East Seram Joint Operation, which is jointly funded by the Consolidated Entity and the Joint Venture Partner. The total fees attributable to the Consolidated Entity per year is US $145,800.

** Of Mr Damien Servant's total fees of $142,500, $71,250 of fees be are paid out of the East Seram Joint Operation, which is jointly funded by the Consolidated Entity and the Joint Venture Partner. The total fees attributable to the Consolidated Entity per year is US $114,000.

DIRECTOR'S REPORT

DETAILS OF REMUNERATION

Compensation 12 months to 31 December 2020

	Short Term Benefits[1] $	Post employment benefits (super-annuation) $	Share based payments $	Termination benefits $	Total[2] $	% of remuneration that is equity based
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.						
Thomas Soulsby	145,800	-	-	-	145,800	-
Russell Brimage	43,129	-	-	-	43,129	-
Damien Servant	114,000	-	-	-	114,000	-
Zane Lewis	43,177	-	-	-	43,177	-
Christopher Newton	43,179	-	-	-	43,179	-
TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL	389,285	-	-	-	389,285	

Compensation 12 months to 31 December 2019

	Short Term Benefits[1] $	Post employment benefits (super-annuation) $	Share based payments $	Termination benefits $	Total[2] $	% of remuneration that is equity based
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.						
Thomas Soulsby	193,050[3]	-	-	-	193,050	-
Russell Brimage	43,322	-	-	-	43,322	-
Damien Servant	137,750[3]	-	-	-	137,750	-
Zane Lewis	43,355	-	-	-	43,355	-
Christopher Newton	158,269[4]	-	-	-	158,269	-
TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL	575,746	-	-	-	575,746	

Notes:

1. Short-term benefits represent salaries and/or fees paid to directors both in their capacity as employees and/or as consultants to the Company. There were no bonuses paid in 2020 (2019: $nil).
2. The Company also reimburses validly incurred business expenses of directors. These are not included in the table above.
3. During the year, Mr Thomas Soulsby and Mr Damien Servant were paid consulting fees from the East Seram Joint Operation of $141,750 (2019: $23,625) and $71,250 (2019: $11,875) respectively. The fees attributable to the Group for Mr Soulsby and Mr Servant was $85,050 (2019: $14,175) and $42,750 (2019: $7,125) respectively, which has been included in their reported compensation.
4. On 17 December 2019, the Board approved the payment of a $115,000 success fee to Mr. Newton in accordance with the terms of his service contract.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	Number of Ordinary Shares			
	1 January 2020 or Appointment	Issued as Compensation	Net Change Other	31 December 2020 or Resignation
Thomas Soulsby	797,340	-	-	797,340
Russell Brimage	5,061,637	-	-	5,061,637
Damien Servant	100,000	-	-	100,000
Christopher Newton	437,340	-	-	437,340
Zane Lewis	1,019,567	-	-	1,019,567
	7,415,884	-	-	7,415,884

These net changes during the year relate to on-market purchases of ordinary shares. There were no options held by the directors during the year.

OTHER INFORMATION

There were no loans made to any Key Management Personnel during the period or outstanding at period end.

A company associated with Mr Zane Lewis provides company secretarial and accounting services to Lion Energy Limited. The total fees charged to the Group relating to these services was USD $58,389.

Apart from the above, there were no further transactions with Key Management Personnel during the period.

During the period the Company did not engage remuneration consultants to review its remuneration policies.

At the last AGM, the shareholders voted to adopt the remuneration report for the year ended 31 December 2019. The company did not receive any specific feedback at the AGM regarding its remuneration policies.

End of Remuneration Report (Audited)

SHARE OPTIONS ISSUED AND OUTSTANDING

There were no share options on issue during the period ended 31 December 2020, or up to the date of this report.

SHARE OPTIONS EXERCISED

No ordinary shares were issued by virtue of the exercise of options during the year.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial period, the Company paid premiums of $17,285 (2019: $11,154) in respect of a contract insuring all the directors and officers of the Company and the Consolidated Entity against legal costs incurred in defending proceedings for conduct other than (a) a wilful breach of duty and (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

Except as disclosed above, the Company and the Consolidated Entity have not, during or since the financial period, in respect of any person who is or has been an officer or director of the Company or a related body corporate:

a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or

b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the *Corporations Act 2001* section 307C the auditors of the Company have provided a signed Auditor's Independence Declaration to the directors in relation to the period ended 31 December 2020. A copy of this declaration appears at the end of this report.

NON-AUDIT SERVICES

There were no non-audit services provided to the Company by the Company's auditors.

Signed in accordance with a resolution of the directors.

Thomas Soulsby
Executive Chairman
31 March 2021
Perth, Western Australia

Ernst & Young
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Perth WA 6000 Australia
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Building a better working world

Auditor's independence declaration to the directors of Lion Energy Limited

As lead auditor for the audit of the financial report of Lion Energy Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a.) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b.) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lion Energy Limited and the entities it controlled during the financial year.

Ernst & Young

Mark Cunningham
Partner
31 March 2021

MC:TGF:LIO:008

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Entity 31 December 2020 $	31 December 2019 $
Revenue	4	935,033	548,271
Cost of goods sold	4	(577,061)	(427,126)
GROSS PROFIT		**357,972**	**121,145**
Other income	4	13,378	292
Administration expenses	4	(747,941)	(866,024)
Foreign exchange loss		(14,247)	(6,294)
Impairment – Oil & Gas Properties	12	(293,707)	(86,152)
Recovery of written off receivables		-	58,833
LOSS BEFORE INCOME TAX EXPENSE		**(684,545)**	**(778,200)**
Income tax expense	5	(61,729)	-
LOSS AFTER RELATED INCOME TAX EXPENSE		**(746,274)**	**(778,200)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(746,274)**	**(778,200)**
LOSS PER SHARE			
BASIC LOSS PER SHARE (CENTS PER SHARE)	6	(0.36)	(0.38)
DILUTED LOSS PER SHARE (CENTS PER SHARE)	6	(0.36)	(0.38)

The above Statement of Profit of Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Consolidated Entity 31 December 2020 $	31 December 2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19	661,624	1,669,266
Trade and other receivables	7	323,745	42,008
Inventories	8	298,644	465,285
TOTAL CURRENT ASSETS		**1,284,013**	**2,176,559**
NON-CURRENT ASSETS			
Plant and equipment	9	3,487	4,074
Receivables	10	407,250	597,250
Capitalised exploration and evaluation expenditure	11	415,211	1,359,160
Oil & gas properties	12	-	-
TOTAL NON-CURRENT ASSETS		**825,948**	**1,960,484**
TOTAL ASSETS		**2,109,961**	**4,137,043**
CURRENT LIABILITIES			
Trade and other payables	13	260,081	163,495
Advances	14	-	1,378,366
TOTAL CURRENT LIABILITIES		**260,081**	**1,541,861**
NON-CURRENT LIABILITIES			
Provision for restoration	15	194,682	193,710
TOTAL NON-CURRENT LIABILITIES		**194,682**	**193,710**
TOTAL LIABILITIES		**454,763**	**1,735,571**
NET ASSETS		**1,655,198**	**2,401,472**
EQUITY			
Issued capital	16	50,664,973	50,664,973
Reserves	17	2,840,100	2,840,100
Accumulated losses		(51,849,875)	(51,103,601)
TOTAL EQUITY		**1,655,198**	**2,401,472**

The above Statement of Financial Position should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated Entity 31 December 2020 $	31 December 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		653,295	1,022,753
Payments to suppliers and employees		(983,564)	(1,331,010)
Income tax paid		(61,729)	-
Interest received		13,378	292
NET CASH USED IN OPERATING ACTIVITIES	19	**(378,620)**	**(307,965)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment		168	207
Proceeds from the farm-out of interest in exploration asset		-	1,378,366
Exploration and evaluation expenditure		(244,417)	(316,924)
Expenditure on oil and gas properties		(370,528)	(32,639)
Placement of performance bond collateral		-	(100,000)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**(614,777)**	**929,010**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(993,397)**	**621,045**
Net foreign exchange differences		(14,245)	(6,294)
Cash and cash equivalents at beginning of period		1,669,266	1,054,515
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	**661,624**	**1,669,266**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Share Based Payment Reserve $	Currency Translation Reserve $	Accumulated Losses $	Total Equity $
AT 1 JANUARY 2019	**50,664,973**	**(27,070)**	**4,395**	**2,862,775**	**(50,325,401)**	**3,179,672**
Loss for the year	-	-	-	-	(778,200)	(778,200)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**-**	**-**	**-**	**(778,200)**	**(778,200)**
AT 31 DECEMBER 2019	**50,664,973**	**(27,070)**	**4,395**	**2,862,775**	**(51,103,601)**	**2,401,472**
Loss for the year	-	-	-	-	(746,274)	(746,274)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**-**	**-**	**-**	**(746,274)**	**(746,274)**
AT 31 DECEMBER 2020	**50,664,973**	**(27,070)**	**4,395**	**2,862,775**	**(51,849,875)**	**1,655,198**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 1. CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The consolidated financial statements of Lion Energy Limited ("Parent Entity" or "Company") and its controlled entities (collectively as "Consolidated Entity" or "the Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 31 March 2021. The Parent Entity is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The Group is principally engaged in oil & gas exploration, development and production and investment in the oil & gas industry. Further information on nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure and other related party relationships are provided in notes 24 and 25.

The Group's registered office is in Suite 7, 295 Rokeby Road, Subiaco, WA 6008 Australia.

Basis of Preparation of Accounts

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with the International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board. The company is a For-Profit entity for the purpose of preparing these financial statements.

The financial report has been prepared on an accruals basis and is based on a historical cost basis. The presentation currency used in this financial report is United States Dollars.

This financial report is issued in accordance with a resolution of the directors of the Company on the same date as the Directors' Declaration above.

Since 1 January 2020, the Consolidated Entity has adopted all Accounting Standards and Interpretations effective from 1 January 2020. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and Revised Standards that are effective for these Financial Statements

The Group has adopted all new and revised Standards that are effective for these financial statements. The adoption of the new or amended standards and interpretations did not result in any significant changes to the Group's accounting policies.

Standards issued but not yet effective and not early adopted by the Group

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements, to the extent they are considered applicable to the Group, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2023)

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current.

Specifically:

- ► The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- ► Management intention or expectation does not affect classification of liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

► In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

These amendments are applied retrospectively. Earlier application is permitted.

The amendment above is not expected to have a significant impact on the Group's consolidated financial statements.

Summary of Significant Accounting Policies

a) Functional and presentation currency of Lion Energy Limited

An entity's functional currency is the currency of the primary economic environment in which the entity operates. Both the functional and presentation currency of the Company is US Dollars.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

c) Foreign currency translation

The presentation currency of the Company and its subsidiaries is United States Dollars. The functional currency of the Company and its subsidiaries is United States Dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

date. All differences in the consolidated financial report are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

d) Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised using the full liability balance sheet approach. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss.

e) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees and directors rendering services up to the reporting date. These benefits include wages, salaries, and director fees. Employee benefits, expenses and revenues arising in respect of wages. salaries, and director fees are charged against profits on a gross basis.

f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with original maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with original maturity date of three months or less.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

g) Revenue

Revenue from contracts with customers

Revenue from oil sales from contracts with customers is recognised at a point in time when the control of the product is transferred to the customer, which is typically upon completion of the lifting (i.e. loading of the oil onto the tanker) by the customer, at an amount that reflects the consideration to which the Consolidated Entity expects to be entitled in exchange for those products.

Interest revenue

Interest revenue is recognised on a proportional basis using the effective interest rates method.

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

i) Impairment of non current assets other than receivables

The Group assesses at each reporting date whether there is an indication that a non current asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

j) Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

– fixed lease payments less any lease incentives;

– variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

– the amount expected to be payable by the lessee under residual value guarantees;

– the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;

– lease payments under extension options, if the lessee is reasonably certain to exercise the options; and

– payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

k) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l) Property, Plant and Equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Plant and equipment – over 2 to 15 years

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

m) Oil & Gas Properties

Oil & Gas Properties are stated at cost less accumulated depreciation, depletion and amortisation and impairment. Cost includes expenditure that is directly attributable to the development of the oil and gas properties.

Depreciation, depletion and amortisation is calculated based on a unit of production basis over recoverable reserves. Recoverable reserves are subject to review annually. The recoverable reserves are estimates calculated from available production and reservoir data and are subject to change. A significant change in estimate could give rise to a material adjustment to the carrying amounts of assets and liabilities in the next annual reporting period.

n) Trade and other receivables

Trade receivable (without a significant financing component) are initially recognised at their transaction price and all other receivables are initially measured at fair value. Receivables are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model with the objective to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non recourse features).

The Group recognises an allowance for expected credit losses (“ECLs”) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate (“EIR”).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

o) Trade and other payables

Trade payables and other payables are recognised initially at fair value.

Subsequent measurement is at amortised cost and is done using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

p) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Crude oil inventories: cost of direct materials, direct labour, transportation costs, and variable and fixed overhead costs relating to production activities.
- Raw materials: purchase cost on a first-in/first-out basis

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

r) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area; or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are moved to oil and gas properties, and are then amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

On farm-out transactions during the exploration and evaluation phase of the asset, the Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Farm-outs and carried interest— in the exploration and evaluation phase

For carried interests Lion recognises the expenditure when they are providing the carry to the other parties. Where the Group are being carried Lion does not recognise any expenditure paid or to be paid for on their behalf.

s) Provision for site restoration

A provision is made for the obligation to restore operating locations. The provision is first recognised in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Restoration provisions are updated annually, with the corresponding movement recognised against the related oil and gas properties.

Over time, the liability is increased for the change in the present value based on a pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset.

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

t) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares, options or performance rights over shares (‘equity-settled transactions’). There is currently an Employee Share Option Plan (ESOP) in place to provide these benefits, which provides benefits to directors and executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black Scholes model for options and a Monte Carlo simulation model for performance rights.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (‘market conditions’). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

v) Interests in Joint Arrangements

Joint ventures represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of the joint operations are included in the respective line items of the financial statements. Information about the joint arrangements is set out in Note 25.

All of the Group's current joint arrangements are treated as joint operations.

w) Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

x) Convertible Notes

Convertible notes are separated into their component parts based on the terms of the contract. When the notes are denominated in foreign currency, the conversion right represents a derivative liability. The fair value of the derivative feature is determined using an appropriate option pricing model. The derivative liability is initially recognised at fair value and subsequently carried at fair value through profit and loss. The remainder of the proceeds received on issue of the notes is allocated to the host debt contract that is subsequently measured at amortised cost until it is extinguished on conversion or redemption.

y) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out above. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best judgments of directors. These judgments take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best judgment, pending an assessment by the Australian Taxation Office.

Joint arrangements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - The legal form of the separate vehicle
  - The terms of the contractual arrangement
  - Other facts and circumstances (when relevant)

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key Estimates – Impairment of oil & gas properties

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows. For oil and gas assets, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the oil & gas assets.

Key Estimates – Reserves estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Key Estimates - Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. An estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Key Estimates - Equity settled transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of ordinary shares is determined with reference to the Company's share price on the ASX. The Group measures the fair value of options at the grant date using a Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

NOTE 2. GOING CONCERN BASIS

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss before income tax of $684,545 (2019: $778,200) and expended a net operating cash outflow of $378,620 (2019: $307,965) for the year to 31 December 2020.

The Consolidated Entity is currently in a positive net current asset position of $1,023,932 (2019: $634,698). The Directors are confident that the Group currently has sufficient cash to fund its share of approved joint venture activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due.

The Directors will continue to carefully manage discretionary expenditure in line with the Group's cash flow. The Directors note that should uncommitted business activities or continued exploration and evaluation activities not resolve themselves as anticipated, the business may require expenditure in excess of funds available. Options with regard to funding those activities will need to be sought. Should the Group not achieve additional funding required, there is a material uncertainty whether the Group would continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

NOTE 3. GLOSSARY

The following abbreviations are used throughout this report:

the Company or Parent Entity	Lion Energy Limited
Consolidated Entity or the Group	Lion Energy Limited and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity 31 December 2020 $	Consolidated Entity 31 December 2019 $

NOTE 4. REVENUE AND EXPENSES

The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:

REVENUE

	2020 $	2019 $
Revenue from contracts with customers - Oil sales	875,033	534,521
Management fees	60,000	13,750
	935,033	548,271

The oil sales revenue relates to liftings from the Seram (Non-Bula) PSC located in Indonesia are recognised at point in time.

Other income:	2020 $	2019 $
Interest income	13,378	292
	13,378	292

EXPENSES

Cost of goods sold:	2020 $	2019 $
Production costs	500,240	256,603
Depreciation, Depletion & Amortisation	76,821	170,523
	577,061	427,126

Administration expenses:	2020 $	2019 $
Depreciation	419	1,105
Consultants	33,932	192,581
Legal expenses	1,750	6,997
Professional fees	188,485	145,981
Rental costs	4,130	23,683
Travel	3,611	28,883
Wages, salaries and directors fee	431,248	331,162
Farmout transfer tax	-	46,567
Other administration expenses	84,366	89,065
	747,941	866,024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity	
	31 December 2020 $	31 December 2019 $

NOTE 5. INCOME TAX

A reconciliation between the tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2020	2019
LOSS FROM CONTINUING OPERATIONS	(684,545)	(778,200)
Prima facie income tax benefit on operating loss calculated at 26% (2019:27.5%)	(177,982)	(214,005)
Non-deductible expenses	73,853	89,777
Difference of effective foreign income tax rates	(39,423)	20,224
Income tax benefit not brought to account	205,281	104,004
INCOME TAX EXPENSE FROM CONTINUING OPERATIONS	61,729	-

Deferred tax balances as at 31 December 2020 were not recognised in the statement of financial position. These relate to the deferred tax assets from the following accounts:

	2020	2019
Accruals	12,670	8,701
Unused tax losses – revenue losses	4,501,320	5,999,197
Unrecognised deferred tax asset – capital losses	482,902	510,762
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	4,996,892	6,518,660

The Group's unused tax losses that arose from revenue primarily relates to those incurred by the parent company based in Australia of $15,116,956 (2019: $15,100,163) that are available indefinitely for offsetting against future taxable profits of the parent. In addition, it also includes a total of $2,124,364 (2019: $8,496,442) of unused tax losses incurred by the foreign subsidiaries domiciled in Singapore (2019: Singapore and Delaware, USA). The subsidiary in Delaware, USA was deregistered during the year.

The Group has unused capital losses of $1,857,316 (2019: $1,857,316) that arose mainly from the loan related transactions in the prior years and are available for offsetting against future taxable capital gains of parent company.

NOTE 6. LOSS PER SHARE

	2020	2019
Both basic and diluted EPS have been calculated using the following variables:		
Loss used in the calculation of basic/diluted EPS	(746,274)	(778,200)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic/diluted earnings per share	207,401,790	207,401,790

NOTE 7. TRADE AND OTHER RECEIVABLES (CURRENT)

	2020	2019
Trade debtors	297,676	12,599
Other debtors	26,069	29,409
	323,745	42,008

All of the Group's trade and other receivables have been reviewed for indicators of impairment. No receivables were found to be past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity	
	2020 $	2019 $
NOTE 8. INVENTORIES		
Oil in Storage	10,242	147,934
Inventory - materials	288,402	317,351
	298,644	465,285

NOTE 9. PLANT AND EQUIPMENT

	2020 $	2019 $
PLANT AND EQUIPMENT		
Gross carrying amount at cost	254,260	254,261
Accumulated depreciation	(250,773)	(250,187)
TOTAL PLANT AND EQUIPMENT	3,487	4,074
MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT		
At the beginning of the financial period	4,074	5,386
Disposals	(168)	(207)
Depreciation expense	(419)	(1,105)
TOTAL PLANT AND EQUIPMENT	3,487	4,074

NOTE 10. RECEIVABLES (NON CURRENT)

	2020 $	2019 $
Performance bonds collateral	347,250	497,250
Deposit with SKK Migas	60,000	100,000
	407,250	597,250

Performance bonds collateral:

Lion has lodged collateral to support its exploration commitments in the East Seram PSC and production commitments in the Seram (Non-Bula) PSC. The performance bonds were for $375,000 for East Seram and $122,250 for Seram Non Bula, and it is expected the Group will be refunded in 2021 and 2024, respectively.

For East Seram, the actual performance bond was $1,500,000 but the payment was through a guarantee arrangement that only resulted to $375,000 cash outlay from the Group.

As a result of the farmout of East Seram PSC (refer note 11), Lion received $150,000 from the Farm-in partner for its share of the Performance bonds collateral.

Deposit with SKK Migas:

Under the East Seram PSC, Lion provided a $100,000 deposit to SKK Migas for administrative and technical purposes.

As a result of the farmout of East Seram PSC (refer note 11), Lion received $40,000 from the Farm-in partner for its share of the deposit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity	
	2020 $	2019 $
NOTE 11. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE		
Capitalised exploration and evaluation expenditure	415,211	1,359,160
TOTAL	415,211	1,359,160
MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE		
At the beginning of the financial period	1,359,160	1,042,236
Expenditure during the period	244,417	316,924
Disposal – 40% interest in East Seram PSC	(1,188,366)	-
AT THE END OF THE FINANCIAL PERIOD	415,211	1,359,160

Capitalised exploration and evaluation expenditure above includes $415,211 (2019: $1,359,160) of costs incurred in carrying out joint studies and submitting joint study applications to Indonesian authorities over the East Seram Joint Study, that was converted to a PSC in 2018, which continues to be carried forward at its full cost. This East Seram PSC has an initial term of six years.

Farmout of East Seram PSC – 40%

On 25 September 2019, the Group entered into a Farmout Agreement ("FOA") with OPIC East Seram Corporation ("OESC") on the East Sera PSC. On 5 November 2020, the Group entered into a Joint Operating Agreement ("JOA") with OESC. Under the terms of the FOA and the JOA, OESC agreed to:

– pay 80% of Lion's historical costs related to the East Seram PSC up until 31 August 2019 equal to $939,948 net to the Group, plus its 40% share of performance bond collateral ($0.15 million);

– fund 80% of gross seismic costs up to $8,500,000 gross for firm commitment. Any costs incurred above the cap of $8.5 million will be on participating interest basis;

– carry 20% of Lion's well costs for any follow up exploration well drilling up to a maximum carried amount of $1,200,000, repayable out of production; and

– fund its 40% share of all other joint arrangement costs (starting 1 Sept 2018) under the terms of a Joint Operating Agreement ("JOA") to be entered into.

As a result of the above, the Group received a total of $1,378,366 under the FOA and the JOA, of which $1,188,366 related to the capitalised exploration and valuation expenditure asset and $190,000 as OESC's share of non-current receivables. On 13 April 2020, all conditions precedent to the farmout were completed resulting in the recognition of the disposal during the year.

From 1 January 2020 up to 12 April 2020, a total of $103,738 of exploration expenditure incurred was paid by OESC. This amount was excluded from the recognised expenditure and disposal presented above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 12. OIL AND GAS PROPERTIES

	Consolidated Entity	
	2020	**2019**
	$	**$**
Oil and gas properties at cost	2,657,983	2,287,455
Accumulated depreciation, depletion, amortisation and impairment	(2,657,983)	(2,287,455)
	-	-
MOVEMENTS IN THE CARRYING AMOUNT OF OIL AND GAS PROPERTIES		
At the beginning of the financial period	-	277,202
Expenditure during the period	370,528	32,639
Depreciation, Depletion & Amortisation	(76,821)	(223,689)
Impairment	(293,707)	(86,152)
AT THE END OF THE FINANCIAL PERIOD	-	-

This asset relates to the Seram (Non-Bula) PSC. The PSC was originally due to expire on 31 October 2019. An extension was granted for an additional 20 years. Lion Energy holds 2.5% of this PSC (2019: 2.5%). As part of the Group's assessment of impairment of oil & gas properties as at 31 December 2019 and 31 December 2020, it identified that the carrying value exceeded its recoverable value and have therefore impaired the entire asset as at balance date. The Group utilised the value in use model and applied a discount rate of 10%. The impairment assessment resulted in this conclusion due to the depressed oil price environment and forecasted exploration related expenditure required to maintain the PSC in good standing.

NOTE 13. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables	260,081	163,495
	260,081	163,495

NOTE 14. ADVANCES (CURRENT)

Advances from the farmout	-	1,378,366
	-	1,378,366

All conditions precedent to the farmout were completed during the year resulting in the extinguishment of the advances.

NOTE 15. PROVISION FOR RESTORATION (NON-CURRENT)

Provision for restoration	194,682	193,710
	194,682	193,710

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
NOTE 16. ISSUED CAPITAL		
207,401,790 (2019: 207,401,790) fully paid ordinary shares	50,664,973	50,664,973

MOVEMENTS IN ISSUED CAPITAL

	Shares		$	
	2020	**2019**	**2020**	**2019**
At the beginning of the period	207,401,790	207,401,790	50,664,973	50,664,973
AT THE END OF THE FINANCIAL PERIOD	**207,401,790**	**207,401,790**	**50,664,973**	**50,664,973**

CAPITAL MANAGEMENT

Management controls the capital of the Group comprising the liquid assets held by the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves. The Group includes within net debt, trade and other payables. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity 2020 $	2019 $
NOTE 17. RESERVES		
Option premium reserve	(27,070)	(27,070)
Share based payment reserve	4,395	4,395
Currency translation reserve	2,862,775	2,862,775
	2,840,100	2,840,100
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the financial period	(27,070)	(27,070)
Addition/transfer	-	-
AT THE END OF THE FINANCIAL PERIOD	(27,070)	(27,070)
MOVEMENTS IN SHARE BASED PAYMENT RESERVE		
At the beginning of the financial period	4,395	-
Addition/transfer	-	4,395
AT THE END OF THE FINANCIAL PERIOD	4,395	4,395
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the financial period	2,862,775	2,862,775
Addition/transfer	-	-
AT THE END OF THE FINANCIAL PERIOD	2,862,775	2,862,775

The option premium reserve is used to accumulate the fair value of options issued and premiums received on the issue of options.

The share based payment reserve was used to record the value of performance rights issued to key management personnel.

The foreign currency translation reserve was used to record the exchange differences arising from the change of presentation currency effective 1 July 2014 from Australian Dollar to US Dollar.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Company 2020 $	Company 2019 $
NOTE 18. PARENT ENTITY		
FINANCIAL INFORMATION ON THE PARENT ENTITY AS AT THE END OF THE FINANCIAL PERIOD:		
CURRENT ASSETS		
Cash and cash equivalents	631,163	1,620,768
Trade and other receivables	20,788	24,023
TOTAL CURRENT ASSETS	**651,951**	**1,644,791**
NON-CURRENT ASSETS		
Plant and equipment	3,761	4,074
Investments in subsidiaries	756,222	549,937
TOTAL NON-CURRENT ASSETS	**759,983**	**554,011**
TOTAL ASSETS	**1,411,934**	**2,198,802**
CURRENT LIABILITIES		
Trade and other payables	58,453	48,291
Amounts owing to subsidiaries	7,697,321	7,838,682
TOTAL CURRENT LIABILITIES	**7,755,774**	**7,886,973**
TOTAL LIABILITIES	**7,755,774**	**7,886,973**
NET LIABILITIES	**(6,343,840)**	**(5,688,171)**
EQUITY		
Issued capital	50,664,974	50,664,974
Reserves	2,685,586	2,685,586
Accumulated losses	(59,694,400)	(59,038,731)
TOTAL EQUITY	**(6,343,841)**	**(5,688,171)**
FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL PERIOD:		
Loss after related income tax expense	(655,669)	(864,282)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	**(655,669)**	**(864,282)**

There are no contingent liabilities of the Parent Entity as at the reporting date. There are no contractual commitments of the Parent Entity as at the reporting date. The Parent Entity has not entered into any guarantees in relation to the debts of its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity 2020 $	2019 $
NOTE 19. CASH FLOW INFORMATION		
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
LOSS AFTER TAX	(746,274)	(778,200)
Non-cash flow items in loss		
Depreciation of plant and equipment	419	1,105
Depreciation, Depletion & Amortisation of development expenditure	76,821	223,689
Foreign exchange	14,246	6,294
Impairment of oil & gas properties	293,707	86,152
Changes in assets and liabilities		
Decrease/(increase) in trade debtors	(281,738)	474,481
Increase/(decrease) in inventories	166,641	(147,861)
Increase/(decrease) in other creditors and accruals	97,558	(173,625)
NET CASH USED IN OPERATING ACTIVITIES	**(378,620)**	**(307,965)**
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial period is shown in the accounts as:		
Cash and cash equivalents	632,864	1,622,584
Share of joint operations cash	28,760	46,682
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**661,624**	**1,669,266**

NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing or investing activities that occurred during the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity 2020 $	Consolidated Entity 2019 $

NOTE 20. EXPENDITURE COMMITMENTS

EXPLORATION COMMITMENTS

The Group has exploration commitments pursuant to its Production Sharing Contracts with the Government of Indonesia. At year end these totalled $1,046,304 (2019: $2,122,300). The Group has provided security bond of US$347,250 in respect of this commitment.

NOTE 21. AUDITORS' REMUNERATION

	2020 $	2019 $
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report – Australia	45,308	48,342
	45,308	48,342

NOTE 22. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2020 $	2019 $
Short term employee benefits	389,285	575,746
Post-employment benefits	-	-
Share based payments	-	-
Termination benefits	-	-
	389,285	575,746

Other Transactions:

A company associated with Mr Zane Lewis provides company secretarial and accounting services to Lion Energy Limited. The total fees charged to the Group relating to these services was $58,389 (2019: $56,909).

During the year, $213,000 of consulting fees were paid by the East Seram Joint Operation to Mr Thomas Soulsby and Mr Damien Servant (2019: $35,500). The proportion attributable to the Group totalling $127,800 has been included in short term employee benefits (2019: $21,300).

On 17 December 2019, the Board approved the payment of $115,000 success fee to Mr. Newton in accordance with the terms of his service contract. This has been included in short term employee benefits.

Apart from the above, there were no other transactions with key management personnel.

NOTE 23. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group's principal activities are oil and gas exploration, development and production. These activities are all located in the same geographical area being Indonesia. Given there is only one segment being in one geographical area the financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 24. CONTROLLED ENTITIES

	Country of Incorporation	Principal Activity	Group Ownership Interest 2020 %	2019 %
Entities controlled by Lion Energy Limited				
Lion International Investment Limited	Cayman Islands	Oil & gas exploration and production	100%	100%
Lion Energy Limited USA, Inc	Delaware, USA	Holding Company	-%*	100%
KRX Energy Pte Ltd	Singapore	Holding Company	100%	100%
Balam Energy Pte Ltd	Singapore	Oil & gas exploration and production	100%	100%
Seram Energy Pte Ltd	Singapore	Dormant holding entity	100%	100%
Entities controlled by KRX Energy Pte Ltd				
Tower Indonesia Shale Ltd	BVI	Oil & gas exploration	100%	100%
Entities controlled by Lion Energy Limited USA, Inc				
Lion USA LLC	Delaware, USA	Dormant	-%*	100%

* These entities were deregistered on 8 May 2020.

The functional currency of all entities within the Group is United States Dollars (US$).

NOTE 25. JOINT ARRANGEMENTS

The Group has interests in the following joint operations. The consolidated financial statements reflect the Group's share of all jointly held assets, liabilities, revenues and expenses of these joint operations.

Name of the Joint Operation	Principal Place of Business	Principal Activity	Proportion of Ownership Interests Held by the Group	
			31 December 2020	31 December 2019
Seram (Non-Bula) Joint Operation	Indonesia	Production, exploration and development	2.5%	2.5%
East Seram Joint Operation[1]	Indonesia	Exploration and development	60%	60%

There are no contingent assets or contingent liabilities arising from these joint operations, apart from as discussed in note 26..

Note 1 – As described in Note 11, Lion entered into a farmout agreement with OPIC East Seram Corporation ("OESC") whereby OESC have acquired 40% of the East Seram project. On 5 November 2019, Lion and OESC signed a joint operating agreement (comparative year of 100% represents the Group's holding in the East Seram Project – described in Note 11)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 26. CONTINGENT LIABILITIES

As at 31 December 2020 the Group had no contingent liabilities, except for the portion of the performance bond in East Seram PSC of $1,125,000 (2019: $1,125,000) that was paid through a guarantee arrangement (Note 10). This portion of the performance has been included in expenditure commitments as per Note 20.

NOTE 27. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables, which arise directly from its operations. The Group's policy is that no trading in financial instruments shall be undertaken. The main purpose of non-derivative financial instruments is to finance Group operations. Derivatives are not used by the Group and the Group does not speculate in the trading of derivative instruments.

TREASURY RISK MANAGEMENT

The Board considers the Group's financial risk exposure and treasury management strategies in the context of the Group's operations. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. The Board reviews each of these risks on an on-going basis.

INTEREST RATE RISK

The Company has a policy of minimising its exposure to interest payable on debt. The Group has no debt that requires the payment of interest. The Group has exposure to interest rate risk through its cash balances, however, this exposure is not considered to be significant.

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's functional currency. The Group also exposed to fluctuations in foreign currencies arising from deposits with banks denominated in foreign currencies. The Group does not seek to hedge this exposure as it keeps the bulk of its cash reserves in US Dollars, being the currency in which most of its joint venture costs are denominated.

The following table outlines the amounts in the statement of financial position denominated in a foreign currency:

	AMOUNTS IN AUD 2020 $	AMOUNTS IN AUD 2019 $
Financial Assets		
Cash assets	34,437	14,650
Receivables	6,814	8,293
Financial Liabilities		
Payables	21,434	47,169

LIQUIDITY RISK

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are available.

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There are no material amounts of collateral held as security at 31 December 2020. Credit risk is managed on a group basis and reviewed by the Board. It arises from exposures to

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 31 December 2020 are not rated, however given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group. All trade receivables disclosed in the financial statements were fully received subsequent to the reporting date.

MAJOR CUSTOMERS

The Group's share of crude oil from its Indonesian production items is sold via an open tender each time a lifting is made, therefore it is not exposed to any major customer price risk.

PRICE RISK

The Group is exposed to commodity price risk through its share of oil sales from the Seram (Non-Bula) joint operation. The Group does not currently hedge the price at which it sells oil.

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

The tables below reflect the undiscounted contractual settlement terms for financial liabilities. As such, the amounts may not reconcile to the statement of financial position.

	Consolidated Entity	
	2020	2019
	$	$
TRADE AND SUNDRY PAYABLES MATURING AS FOLLOWS:		
Less than 6 months	260,081	85,104
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	260,081	85,104

FAIR VALUES

Cash assets and financial assets are carried at amounts approximating fair value because of their short-term nature to maturity. Receivables and payables are carried at amounts approximating fair value. The Group does not carry any derivative financial instruments at 31 December 2020.

SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at reporting date. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in these risks.

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 31 December 2020, the effect on profit and equity as a result of changes in the exchange rate, with all other variables remaining constant would be as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated Entity	
	2020	2019
	$	$
INCREASE/(DECREASE) IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	348	849
Decline in AUD to USD by 5%	(348)	(849)
INCREASE/(DECREASE) IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	348	849
Decline in AUD to USD by 5%	(348)	(849)

NOTE 28. RELATED PARTY TRANSACTIONS

During the year, Lion Energy Limited charged a management fee to the East Seram joint arrangement of $150,000. The total revenue attributable to the group was $60,000.

Apart from the above, all related party transactions have been outlined in the KMP remuneration report, found in the director's report, and Note 22. Key Management Personnel.

NOTE 29. DIVIDENDS

No dividends have been paid or proposed during the period.

NOTE 30. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

End Notes

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Lion Energy Limited A.C.N. 000 753 640 ("Company"), I state that:

A. In the opinion of the directors:

1) the financial statements and notes of the Company and its controlled entities ("Consolidated Entity") are in accordance with the *Corporations Act 2001* including:

    a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of the performance for the year ended on that date; and

    b) complying with Australian Accounting Standards and the *Corporations Regulations 2011*;

2) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1; and

3) subject to the matter set out in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

B. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2020.

On behalf of the Board of Directors.

Thomas Soulsby
Executive Chairman
31 March 2021
Perth, Western Australia

Building a better working world

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Independent auditor's report to the members of Lion Energy Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Lion Energy Limited (the Company) and its subsidiaries (collectively the Group) which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report. The conditions as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matters described in the *Material Uncertainty Related to Going Concern*, we have determined the matter described below to be the key audit matter

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to be communicated in our report. For this matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of exploration and evaluation expenditure

Why significant	How our audit addressed the key audit matter
The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment when facts and circumstances indicate that exploration and evaluation expenditure for an area of interest may exceed its recoverable amount. The determination as to whether there are any indicators to require capitalised exploration and evaluation expenditure for an area of interest to be assessed for impairment involves a number of judgments. This includes whether the Group has tenure, plans to undertake significant ongoing exploration and evaluation activities and if there is sufficient information for a decision to be made that the carrying amount of capitalised exploration and evaluation expenditure is unlikely to be recovered in full from successful development and exploitation or by sale. Refer to Note 11 in the financial statements for the capitalised exploration and evaluation assets and related disclosures, including in respect of the impairment assessment.	We considered the Group's assessment as to whether there were indicators present that required the exploration and evaluation asset to be tested for impairment as at 31 December 2020. In doing so we: ► Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and or correspondence with relevant government agencies ► Considered the Group's intention to carry out significant exploration and evaluation activities in the relevant areas of interest which included discussions with senior management and Directors as to the intentions and strategy of the Group ► Understood whether the Group had made an assessment on the technical and commercial viability of extracting mineral resources for the areas of interest. In addition, whether that assessment presented any indication that the asset was not fully recoverable ► Assessed whether the consideration from the farm-out agreement entered into recently indicates impairment of the exploration and evaluation asset subject to the farm-out In addition, we assessed the adequacy of the disclosures in Note 11 of the financial statements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 31 December 2020, other than the financial report and our auditor's report thereon. We obtained the directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 6 to 9 of the Directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Lion Energy Limited for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Mark Cunningham
Partner
Perth
31 March 2021

ADDITIONAL INFORMATION

ADDITIONAL ASX INFORMATION AS AT 18 MAY 2021

NUMBER OF SECURITY HOLDERS AND DISTRIBUTION OF QUOTED SECURITIES IN THE COMPANY

Fully paid shares	No of Holders	Ordinary Shares
1 — 1,000	163	38,282
1,001 — 5,000	57	192,320
5,001 — 10,000	255	2,265,845
10,001 — 100,000	480	19,956,785
100,001 — and over	168	216,048,558
Total number of holders	1,123	238,501,790
Holdings of less than a marketable parcel	322	

REGISTERED OFFICE OF THE COMPANY

Suite 1
295 Rokeby Road
Subiaco
Western Australia 6005

Tel: +61 (8) 9221 1500
Fax: +61 (8) 9221 1501

STOCK EXCHANGE LISTING

Quotation has been granted for 238,501,790 ordinary shares and on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Lion Energy Limited.

There are no current on-market buy-back arrangements for the Company.

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

SHARE REGISTRY

The registers of shares and options of the Company are maintained by:

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 (8) 9323 2000
Fax: +61 (8) 9323 2033

COMPANY SECRETARY

The name of the Company Secretary is Arron Canicais.

TAXATION STATUS

Lion Energy Limited is taxed as a public company.

ADDITIONAL INFORMATION

ADDITIONAL ASX INFORMATION AS AT 18 MAY 2021

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Registered Holder	Number of Shares	Percentage of Total
RISCO ENERGY UNCONVENTIONAL PTE LTD	52,535,357	22.03%
SIMCO ENERGY LTD	37,714,286	15.81%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,315,397	11.03%
TOWER ENERGY INDONESIA LIMITED	6,307,797	2.64%
TRANSFORM EXPLORATION PTY LTD	5,857,143	2.46%
POUVOIR PTY LTD <BRIMAGE SUPER FUND A/C>	5,054,837	2.12%
10 BOLIVIANOS PTY LTD	4,933,326	2.07%
MR GREG NICHOLAS POLAK	4,756,930	1.99%
W & N MORRISON INVESTMENTS PTY LTD <THE MORRISON FAMILY A/C>	4,651,151	1.95%
PT SENADA NUSANTARA	4,000,000	1.68%
INTERNATIONAL ENERGY GROUP LIMITED	2,592,857	1.09%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,477,587	1.04%
MS NADA SAADE	2,313,659	0.86%
COMSEC NOMINEES PTY LIMITED	2,050,259	0.69%
MR MARK BROGLIO	1,625,000	0.67%
MR TRENT MILLAR	1,533,333	0.64%
MRS PETRONELLA FARRELL	1,485,715	0.62%
ANGORA BLUE PTY LTD	1,433,333	0.56%
CASTLE PROPERTY DEVELOPMENTS PTY LTD	1,333,333	0.56%
MR MATTHEW STUART DIXON <M S DIXON FAMILY A/C>	1,333,333	0.56%
ALL OTHER SHAREHOLDERS	68,999,337	28.93%
Total	207,401,790	100.00%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
19 May 2021	Risco Energy Unconventional Pte Ltd	52,535,357[1]
19 May 2021	Simco Energy Ltd	37,714,286[2]
7 May 2021	KL Trio Pte Ltd	26,314,286[3]

1. As lodged with ASX on 19 May 2021.
2. As lodged with ASX on 19 May 2021.
3. As lodged with ASX on 7 May 2021.

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote, and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held.

Securities Exchange Quotation

The Company’s ordinary shares are listed on the Australian Securities Exchange (Code: LIO). The Home Exchange is Perth.

ADDITIONAL INFORMATION

ADDITIONAL ASX INFORMATION AS AT 18 MAY 2021

BUY-BACK

There is no current on-market buy-back.

OIL & GAS TENEMENTS

Tenement or licence area	Lion interest	Comments
Indonesia		
Seram (Non-Bula) Production Sharing Contract	2.5%	Interest held through Lion's wholly owned subsidiary Lion International Investment Limited.
East Seram PSC	60%	Interest held through Lion's wholly owned subsidiary Balam Energy Pte Ltd.

CORPORATE GOVERNANCE STATEMENT

The directors of Lion Energy support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the appendix 4G released to ASX and posted on the Company website at www.lionenergy.com.au.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which enables it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate.

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LION energy

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