



Annual Report

2022

CORPORATE DIRECTORY

DIRECTORS:

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

COMPANY SECRETARY:

Arron Canicaïs

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This financial report covers Lion Energy Limited and its subsidiaries. The Company'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 directors' report. The directors' report is not part of the financial report.

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HIGHLIGHTS

Financial and Strategy

- » Selected a pre-eminent project position at the Port of Brisbane for producing and refuelling green hydrogen for heavy mobility in Brisbane, Australia, at a time when zero emissions are becoming more and more important for the Queensland and Federal Governments.
- » Lion Energy (60%) and partner, CPC Corporation of Taiwan ("CPC") (40%), safely and successfully conducted a 200km onshore seismic and gravity survey in the East Seram PSC. The exciting survey covers some world-class structures with multi-100's mmbbl, multi-TCF resource potential.
- » The survey funded approximately 80% by CPC was completed post year end in January 2023. Despite operational challenges during Covid-19, the survey was conducted within 10% of US\$7.2m pre-survey budget.
- » Continued prudent financial management in improving industry conditions, consolidated cash balance of US\$6.5m as at year end, compared to US\$8.6m as at 31 December 2021.
- » Lion's share of Seram (Non-Bula) PSC oil production declined marginally year on year.
- » Lion's revenue share from crude oil liftings in Seram (Non-Bula) PSC US\$1.01m (US\$0.89m in the previous year)

Organisation

- » Lion established Lion H2 Energy Pty Ltd and built an experienced project execution and advisory team for its hydrogen business.
- » Lion's Jakarta office supported the seismic operations team led by industry and Indonesian veteran, Alan Fenwick. Lion continues to foster good government relations delivering the required permits and approvals for the survey.
- » The management and finance team demonstrated strong commercial skills with contracting for the East Seram onshore seismic program and ongoing joint venture reporting.
- » Lion's exploration manager Kim Morrison is overseeing the new seismic and gravity processing and interpretation with initial interpretation results due in Q2 2023.
- » Execution well underway in green hydrogen strategy.

Operations

- » The success of the onshore survey which commenced in May and was completed post year-end in January 2023 was an important testament to Lion's operational capability in a challenging environment. The survey was completed safely with no lost time incidents with almost a million-manhour exposure.
- » Work on the geological and geophysical assessment of the East Seram PSC continued with the focus on developing an attractive suite of drill-ready prospects for potential drilling in 2024.
- » Gross production from the Seram (Non-Bula) PSC was 478,907 barrels (average 1,312 bopd) for the year, representing a 13% decline year on year.
- » Net crude oil liftings for the year from the Seram (Non-Bula) PSC was 406,842 barrels (Lion net share 10,171 barrels).
- » Operating costs per barrel for the production operations were US\$23.62 (US\$21.85 in the previous year).

“pre-eminent project position at the Port of Brisbane for producing and refuelling green hydrogen”



CHAIRMAN'S MESSAGE

Dear shareholders

Welcome to the 2022 Annual Report to shareholders.

The challenges of the small cap sector of the equity market have not been lost on your board or your executive team and, at times like this, clarity, and commitment to vision and strategy is critical. We continue to be focused on the delivery of our business plan and the market recognition expected from doing that.

Our oil and gas businesses are the most active since I took over as Chairman, with the execution and completion of the East Seram PSC onshore seismic program largely on budget and on schedule and the ongoing Lofin-2 well test. Lion is one of the most active foreign explorers in Indonesia and we are in the process of processing and interpreting our seismic data and we expect to be able to announce an update by June 2023. In the Seram (Non-Bula) PSC, the joint venture is in the middle of a well test on the Lofin gas field discovery. We have announced positive gas flow rates which is a key step towards commercialization and unlocking value in the 1.5Tcf (2C) contingent gas resource.

With respect to our Australian hydrogen strategy, we believe that we are carving out a unique early mover value proposition for the heavy mobility industry in Australia in setting up our first hydrogen production and refuelling station at the Port of Brisbane, Queensland. A huge effort has gone into the concept, location selection and market positioning. I am convinced that this will be the jewel in Lion's crown over the coming years.



Embracing the energy transition

We are now providing investors with leverage to the energy transition. Whilst Lion remains committed to its oil and gas business for now, we are excited about green hydrogen and see this being a key focus in our future.

The green hydrogen focus

Australian state governments are driving the zero-emission transition through regulatory measures and financial commitment largely by 2025. Lion is focusing on working with the heavy mobility sector (buses then trucks) to comply with these ambitious targets. We believe that Hydrogen refuelling infrastructure, a key component of the transition to a hydrogen future, is currently missing. Lion, together with its partners, are committed to building and operating a network of hydrogen production hubs and refuelling stations to fill that gap. Lion is working closely with equipment suppliers, bus manufacturers and fleet operators to open its first hydrogen refuelling station at the Port of Brisbane (PoB) to service the bus and truck fleets. The PoB is located at the critical juncture of customers, resources and markets and Lion is now implementing a program to adapt well proven technology to the solution.



I am convinced that we have laid the foundation for growth in the existing business and a new transition fuel frontier



Chairman's Message

Lion operates arguably one of Southeast Asia's best exploration blocks

Meanwhile in its oil and gas operations, Lion remains committed to exploration opportunities in our operated East Seram PSC. We continue to consider it to be one of the most prospective exploration blocks in Southeast Asia. Our partner, CPC of Taiwan, have now funded approximately 80% of seismic costs to earn their 40% interest. The successful completion of the onshore seismic combined with the 2020 marine seismic positions Lion to develop a suite of highly attractive prospects from which to select a potential drilling candidate in 2024.

Lofin well test

Finally, Lion has an exposure to an ongoing Lofin-2 well test currently being conducted and is a key step in firming up a 1.5TCF of gas resource in the Seram Non-Bula PSC. We remind shareholders that gas prices in Asia are still strong, and that this discovery represents one of the largest onshore gas discoveries in Indonesia in the last two decades.

2022 Operational Highlights

Post the challenges presented by Covid-19 in 2021, the company was very active in both the East Seram and the Seram (Non-Bula) PSCs in 2022.

In East Seram, where Lion is the operator with a 60% working interest, we completed the onshore seismic survey targeting the five most prospective fold-belt leads representing some of the largest undrilled structures in Indonesia. We are now processing and interpreting the data with a goal to work up highly attractive prospects from which to select potential drilling candidates in 2024.

Lion continued to generate revenue from oil production in the Oseil oilfield in the Seram (Non-Bula) PSC which delivered 0.478 million barrels (average 1,312 bopd) for the calendar year, representing a 13% decline year on year. Operating costs per barrel for the production operations were relatively stable at US\$23.62 (US\$21.85 in the previous year). The operator, Citic Resources, continues to closely monitor operating expenditure whilst maximizing production.

On the hydrogen front, Lion converted its relationships and work with government, fleet operators, equipment suppliers, EPC contractors,

engineering personnel, landowners, off-takers and vehicle producers to select its first green hydrogen production and dispensing hub location at the Port of Brisbane. Lion is well set-up to build a green hydrogen business from 2023 onwards.

In closing

Lion has positioned 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 upstream oil and gas skills lend themselves well to developing both our oil and gas business and a sustainable and profitable 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 Southeast 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 Southeast 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 44 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 Tap Oil Pty 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 is a principal and founder of corporate advisory firm SmallCap Corporate, which specialises in corporate advice to public companies and is managing director of Golden Triangle Capital which connects listed entities with a community of professional and sophisticated investors, providing funding for all stages in strategic development.

Most recently Zane facilitated the transformation of Odessa Minerals Limited (ASX:ODE) into a Australian focussed diamond exploration company, the IPO of mining services company Aquirian Limited (ASX:AQN) and was instrumental in the transformation of Vital Metals Ltd (ASX:VML) into a rare earths business.

Mr Lewis is a Fellow of the Governance Institute of Australia and is the Chairman of Odessa Minerals Limited and a non-executive Director of Kingsland Global Limited.



Arron Canicaïs

Company Secretary

Mr Canicaïs is a Chartered Accountant with 16 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 Canicaïs 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

Green Hydrogen: A heavy mobility focus

After refining and narrowing the focus of our green hydrogen strategy in 2021, we report excellent progress in strategy execution during 2022. Last year, we said that Lion aimed to be amongst the first movers in green hydrogen production and dispensing in Australia and is mobilizing its resources to meet this objective with a focus on the heavy mobility market in the Eastern States of Australia.

In summary, we said that our focus was driven by the following factors:

- State governments are driving the zero-emission transition through regulatory measures and financial commitment with significant regulatory impact commencing in 2025.
- Lion is focusing on working with the heavy mobility sector (buses then trucks) to comply with these ambitious targets.
- Hydrogen refuelling infrastructure is a key component in the transition but is currently lagging.
- Lion, together with its partners, envisions building and operating a network of hydrogen production hubs and refuelling stations.
- Lion is working closely with equipment suppliers, bus manufacturers and fleet operators to open its first hydrogen refuelling station.

Putting words into action

We reported earlier in 2022 that the Australian Road and Research Board (ARRB) completed their work for Lion on the role of Fuel Cell Electric Buses in Queensland. ARRB concluded that two key Zero Emission Bus (ZEB) technologies would effectively support the transition to net zero emissions by Queensland and Australian states. The results of this work were presented to the Queensland Energy Minister. ARRB concluded that:

- Battery Electric Buses (BEB's) enjoy low operating costs but are constrained by limited depot space for charging infrastructure, high infrastructure investments (chargers, energy storage and electricity connection/substation upgrades), shorter range and longer charging times of BEBs likely requiring additional BEBs to maintain service levels.
- Fuel Cell Electric Buses (FCEB's) are currently more expensive, but have fewer operating constraints, such as small footprint of H₂ refuelling infrastructure, fast refuelling, no range restrictions (comparable with current internal combustion engine buses) and simpler depot management. FCEB (vehicle and gas) purchase prices will further reduce as the technology matures and production volumes increase.



“After refining and narrowing the focus of our green hydrogen strategy in 2021, we report excellent progress in strategy execution during 2022”



Green Hydrogen

After identifying the opportunity to supply hydrogen to fuel FCEB's, Lion appointed Wasco in May 2022 to conduct front end engineering and design (FEED) for its first hydrogen production and refuelling station in Australia. The FEED was completed in September 2022 and the results of the FEED outlined the concept of a green hydrogen hub at a non-specific location. The FEED scope included a hydrogen hub consisting of electrolysis, compression and loading, transport and a refueling station.

After the FEED results were analyzed, the results of which were adopted into our financial model, we sought to further refine the model for our first hub. We also incorporated feedback from the bus operator community to finalise our plans for our first green hydrogen production and refuelling station.

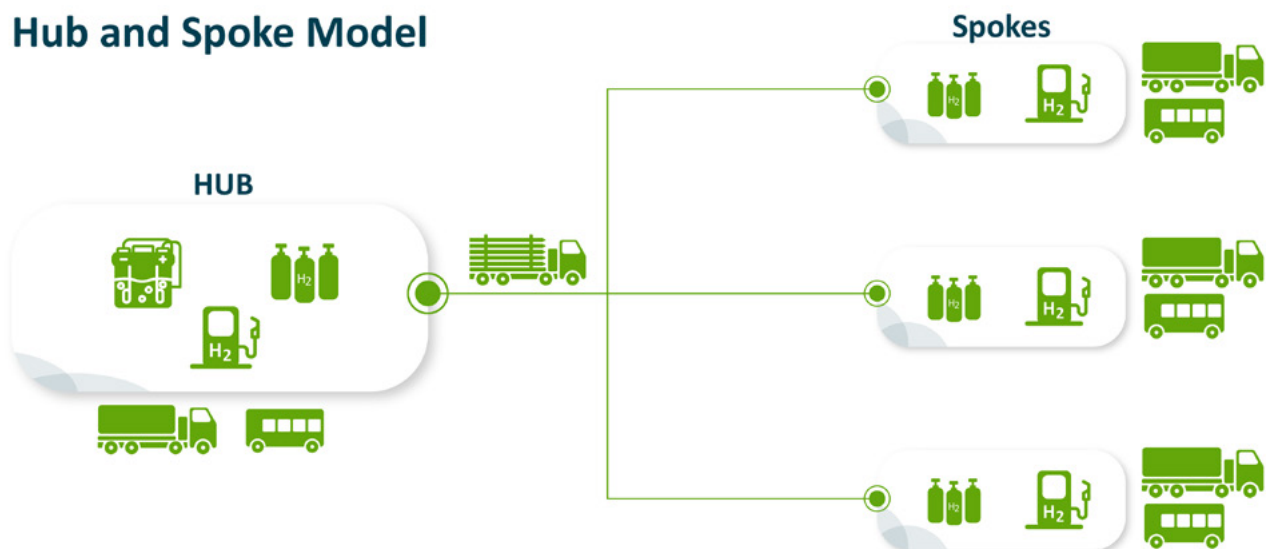
By November 2022, Lion outlined its updated green hydrogen strategy summarized as follows;

1. Established a best in-country execution team
2. Set a goal for the first hub to be built by the end of 2023
3. Projected capex per unit for both production and refuelling at about AU\$12m
4. Set a goal for 20 locations by the end of 2026
5. Aim to set hydrogen pricing at a price close to the diesel price equivalent

Armed with this set of goals, we set about finding our first location and by March 2023, we selected a site at the Port of Brisbane (PoB).

The PoB is Australia's third largest and fastest growing multi-cargo port, and Queensland's largest general cargo port. The PoB handles some AU\$55 billion worth of international cargo each year, equivalent to approximately 32 million tonnes. The Port handles approximately 95% of Queensland's containers and 95% of all motor vehicles imported into the state. As the first site of a wider network, the PoB project constitutes a major step in Lion's hydrogen strategy. Lion has undertaken extensive due diligence on the site, including proximity to target markets, and is excited that the location can be a critical part of a broader hub and spoke/depot supply system.

Hub and Spoke Model



Concept for PoB location showing modularised electrolyzers (2MW), storage and dispensing infrastructure

Green Hydrogen



Lion's hub and spoke model geared to the heavy mobility market

The location at Port of Brisbane is highly strategic due to its proximity to the majority of Brisbane's 70+ bus depots, and also the significant heavy vehicle traffic to and from the Port. Our site will initially produce and dispense some 420kg green hydrogen per day, but with the ability to quickly double production to respond to increasing demand.

In summary, our green hydrogen strategy focuses on a realistic market with significant growth potential. Lion is an early mover and will exploit the benefits that brings. Lion has a formidable and experienced in-country execution team and our strategy strongly aligns with government policy, customer and community needs.



Green Hydrogen



Lion's first hub can cast a net over 90% of Brisbane's public bus depots



East Seram PSC

East Seram PSC

Lion's wholly owned subsidiary, Balam Energy Pte Ltd, is operator with a 60% interest in the East Seram PSC. 2022 was a milestone year in the PSC with the onshore land seismic acquired over some of the largest undrilled structures in Indonesia. The survey was safely and successfully completed post year end in January 2023.

The approximately 200km 2D survey was conducted by BGP, one of the world's largest and most experienced seismic contractors. This survey, which includes gravity data acquisition, was designed to mature the high-graded prospects and leads of the exciting Seram fold-belt play. The play has the Jurassic age Manusela Formation fractured carbonate reservoir objective and is already proven with the oil producing Oseil Oil Field having produced 20 million barrels and is still in production, and the 1.5 TCF Lofin Gas Field discovery.

A combined, unrisked, P50 (Best estimate) prospective resource¹ of 675 mmboe is calculated for the 5 key targeted leads (MA-7, Tanah Baru North, Tanah Baru South, MA-10 and MA-11).

The onshore seismic program cost just under US\$8 million with approximately 80% of this cost funded by Lion's partner, CPC. Importantly the survey was conducted safely with no lost time incidents despite almost a million-man-hour exposure during the tail of the Covid 19 pandemic. The successful completion of the survey represents a major milestone for Lion and highlights Lion's operational capabilities.

The focus in the first half of 2023 will be on the processing and interpretation of the seismic and gravity data with the aim to produce a portfolio of high-graded, drill ready prospects. This will enable Lion to select the best drilling candidate for 2024.

Lion has significantly exceeded the firm commitment obligations of the PSC with the new 200-line km of onshore seismic combined with the 664 km marine seismic targeting the shallow Plio-Pleistocene play which was recorded in November 2020. The Joint Venture entered permit Year 5 of a potential 10-year exploration term on July 17, 2022.

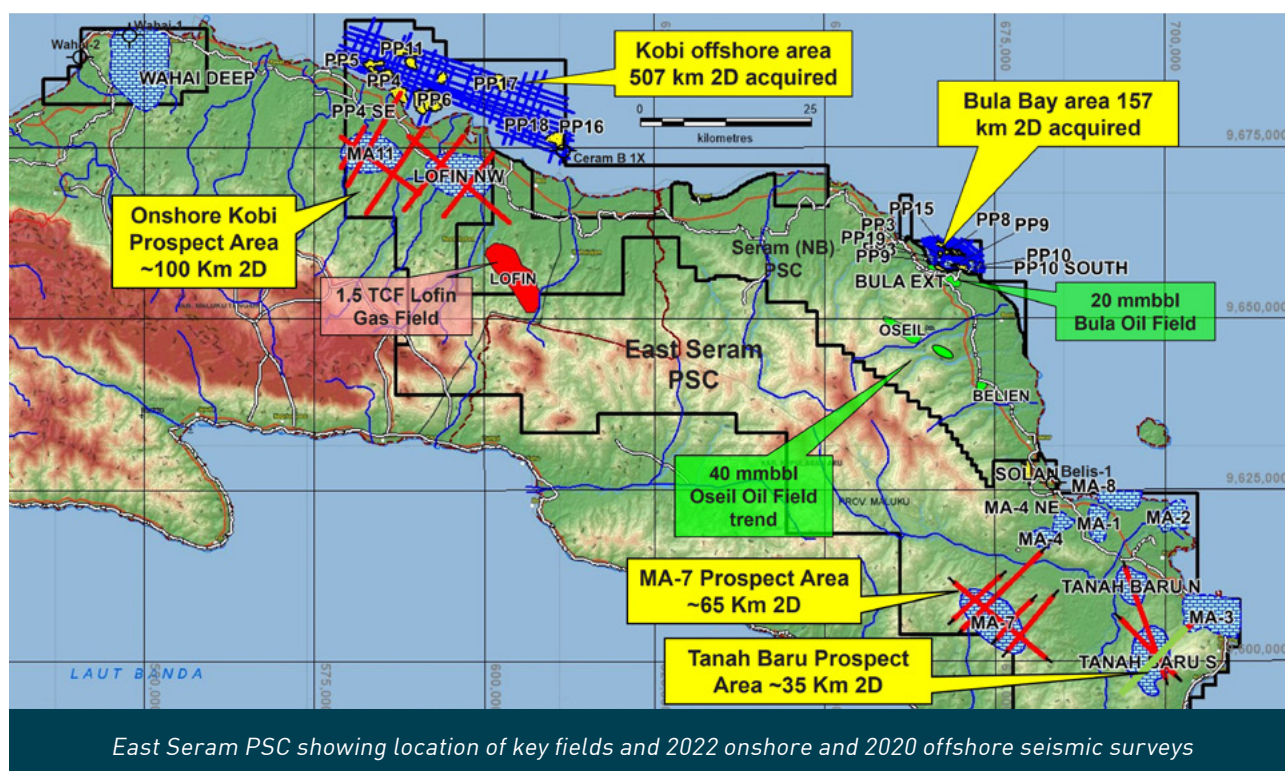
The 2020 marine survey allowed Lion to mature a highly attractive offshore portfolio. These prospects include exciting new sandstone and also carbonate reef targets analogous to major oil discoveries elsewhere in the region. Some of these offshore structures, including the PP9 reefal prospect, can potentially be drilled from onshore, greatly enhancing their economic attractiveness.

The potential recognised by the recently acquired onshore seismic program combined with the shallow oil prospects delineated by the offshore program, reinforce the East Seram PSC as one of the most high-potential exploration blocks in the South-East Asian region.



Drilling unit Onshore Kobi area

East Seram PSC



PSC background

The East Seram PSC was signed on 17 July 2018, and 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.

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 was met with the acquisition and processing of the 2020 664 km marine offshore survey. The 2022 onshore 200km seismic survey and the 1000 station gravity survey is more than the PSC firm work commitment.

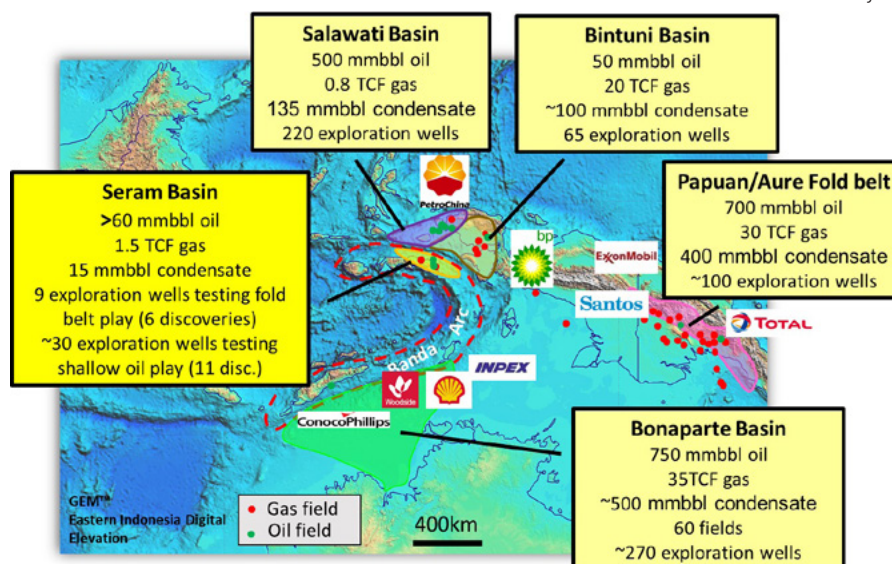


Seismic survey vessel MV Barakuda

East Seram PSC

Technical overview

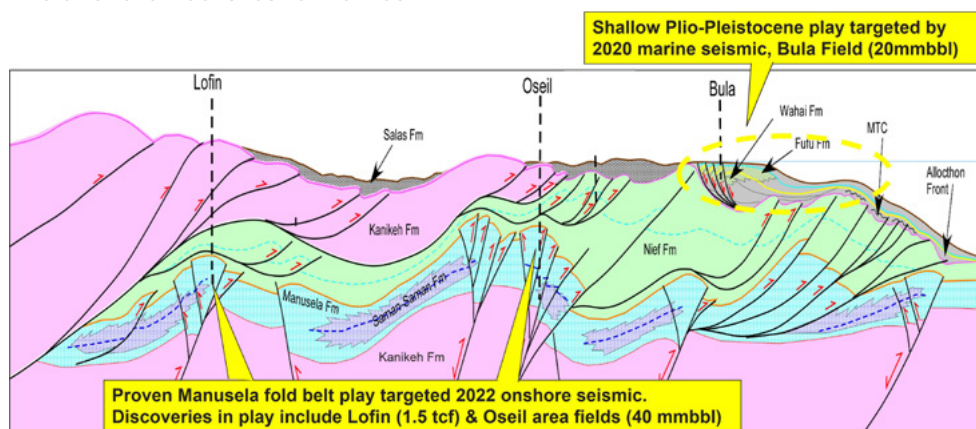
The 4557 km² East Seram PSC encompasses a significant part of the Eastern Indonesian Seram Basin. This exciting emerging basin contains the producing Oseil and Bula oil fields and the recently discovered 1.5 TCF Lofin gas field. It has geological affinities to nearby provinces that host major oil and gas reserves, including the prolific Papuan fold-belt in PNG as well as the Salawati and Bintuni basins in Irian Jaya.



Seram Basin location with surrounding prolific hydrocarbon provinces

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 350mmboe 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 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. This includes the PP9 Pliocene reef prospect in the offshore Bula area and the new 20 km² PP6 Prospect with turbidite sandstone reservoir targets in the offshore Kobi area to the west.



Schematic Seram Tectonic Diagram showing key plays targeted in East Seram PSC

East Seram PSC

Portfolio

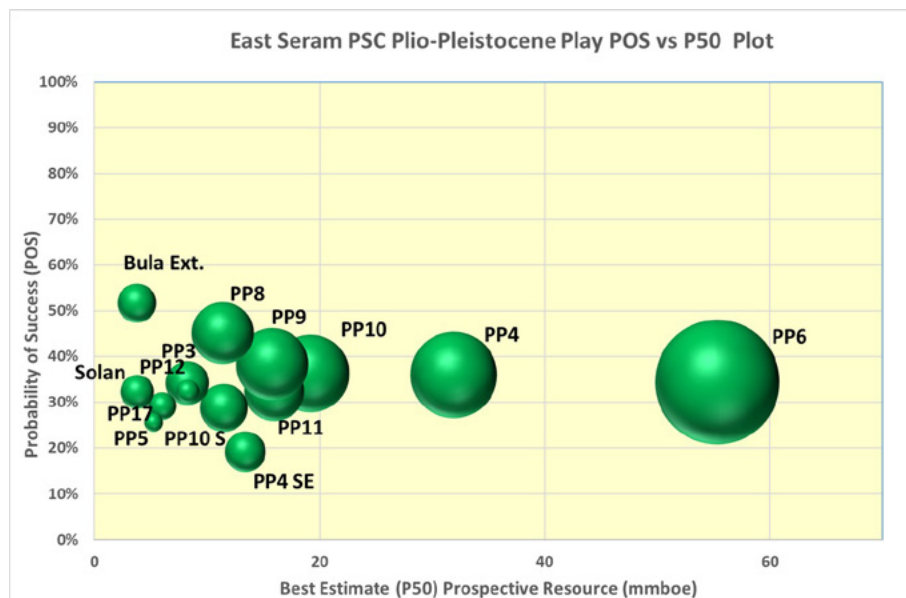
A total of 27 prospects and leads are now delineated in the East Seram PSC following the interpretation of the 2020 marine seismic. The P50 combined (unrisked) potential of the portfolio is 1345 mmboe (100%). This assessment will be updated following the receipt and interpretation of the 2022 onshore 2D data in Q2 2023.

Shallow Plio-Pleistocene Play

Thirteen (13) offshore shallow prospects & leads are characterized, with the combined best estimate (P50 recoverable) of 206 mmboe. Of particular interest, is the impressive PP6 prospect in the offshore Kobi area which has multiple target levels, closure up to 20 km² and prospective resource range from 19mmboe (Low estimate/P90) to 150 mmboe (High estimate/P10). The survey also identified a number of Plio-Pleistocene carbonate reef targets. This is emerging as a potential new play in the area being analogous to highly successful plays elsewhere in Indonesia. The highest ranked prospect is PP9 in the offshore Bula Bay area with prospective resource estimate range from 7mmbo (Low estimate/P90) to 38 mmbo (High estimate/P10). Drilling engineering work has indicated this prospect can potentially be drilled with a deviated well from onshore, greatly enhancing project economics. Common seismic amplitude anomalies (interpreted as direct hydrocarbon indicators) evident in the new seismic data point to active oil and gas generation in the East Seram area. A plot of Chance of Success vs. P50 Prospective Resource shows the new Plio-Pleistocene portfolio.



Seismic streamer being deployed during 2020 marine seismic survey

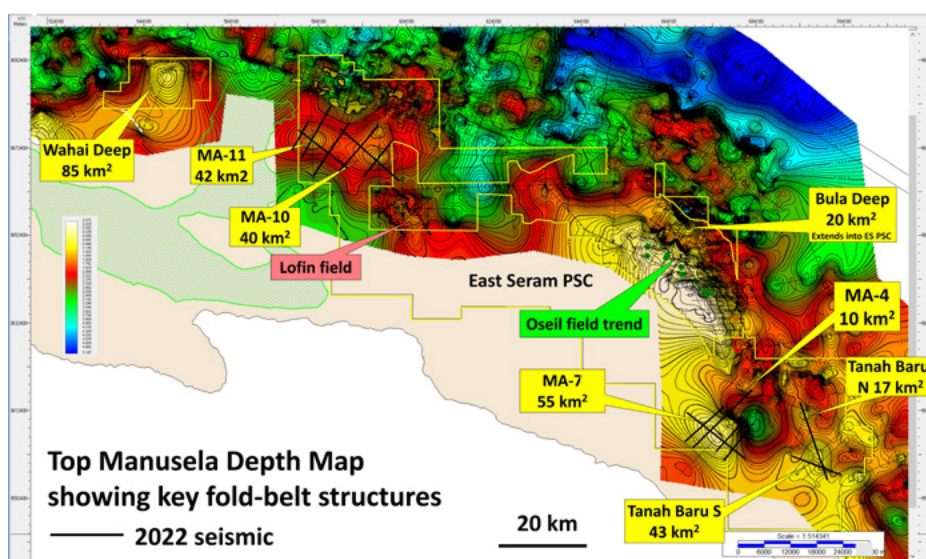


POS vs P50 Prospective Resource Diagram for the Plio-Pleistocene Play

East Seram PSC

The Manusela Fold-belt Play

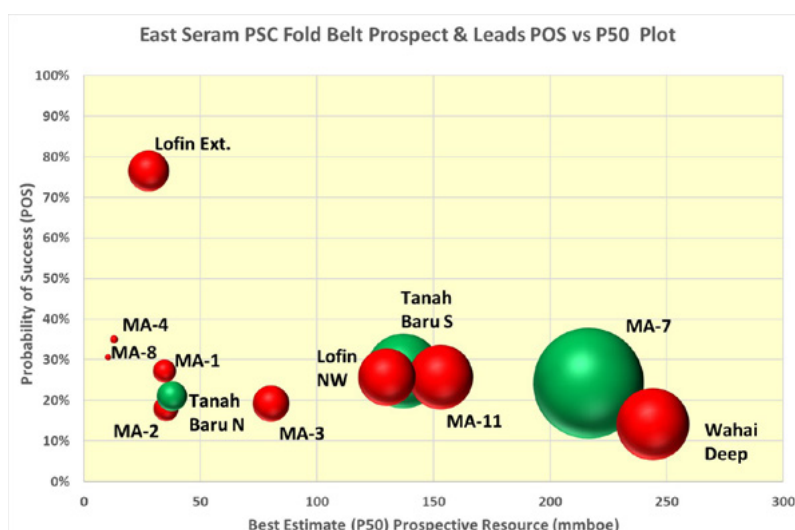
The ~200km onshore seismic covers 5 key fold-belt structures with the same fractured Early Jurassic Manusela limestone objective as has proven oil and gas bearing in the Oseil and Lofin fields. The survey involved approximately 100 km covering the Lofin NW (MA-10) and MA-11 leads close to the Lofin field in the onshore Kobi area. A further approximately 100 km of seismic was programmed for the anticipated more oil prone southeast of the PSC to cover additional exciting leads including the large (up to 50 km²) MA-7 lead and the Tanah Baru North and South leads. The survey is aimed to high grade the portfolio and result in a number of world-class, near drill ready prospects. Prospective resource details are shown in the Reserves and Resource section of this report.



Manusela Formation Depth Map with key structures and 2022 seismic layout

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

The green-coloured bubble indicates leads which are likely gas filled structures, whereas red indicates likely oil filled structures. Bubble size is related to relative NPV (net present value). The new onshore 2D covers the MA-7, Lofin NW (MA-10), MA-11 and Tanah Baru North and South structure.



POS vs P50 Prospective Resource Diagram for the Fold-belt Play

East Seram PSC

Field activity and future plans

The onshore seismic and gravity survey was the key activity undertaken in the East Seram PSC in 2022, lead by Lion's Seismic Operation Manager Alan Fenwick. Negotiations with the various service companies required to undertake the onshore survey were finalised in the first half of 2022 and detailed Covid19 protocols were put in place. Mobilisation for the survey commenced in May 2022 with the initial focus on community relations, setting up operations bases and communications infrastructure and employing and training local staff. Surveying and line clearing commenced in early June, the first helicopter was mobilised to the island in late July with shot hole drilling also commencing in late July. Some delays were experienced with difficult drilling conditions and challenging terrain in the southeast area of the survey and the logistics associated with operating in a remote location in the aftermath of the Covid-19 pandemic.

Recording of the seismic data commenced in the northwest onshore Kobi area in late October and was completed in this area in early December. When operations moved to the more operationally challenging Tanah Baru and MA-7 Prospect areas in the southeast of the East Seram block, a second helicopter was mobilised in late November. Operations proceeded well with the seismic recording in the southeast area and the recording activities for the entire survey completed post year end on January 8, 2023.

The Gravity Survey acquisition (1000 stations), which will assist with the seismic interpretation and prospect evaluation, went smoothly and was completed on 7 December 2022.

Processing of the seismic data by BGP in their Jakarta processing centre commenced in late November 2022 and is due for completion in May 2023.

The focus is on successful processing and interpretation of the data with the view to developing a suite of attractive prospects from both the shallow Plio-Pleistocene and fold-belt play, and to progress funding options to allow for potential drilling of a high graded opportunity in 2024.

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 1312 bopd during 2022 (Lion share 33 bopd). Since initial field start-up in January 2003, the Oseil field area has produced 19,739,117 barrels of crude oil at 2022 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 the Citic Seram Reserves Report, effective as at 31 December 2022, conducted by global oil and gas consultants Miller and Lents.

Oseil Area Reserves (mbbl)

	Reserves (Gross) 100% ^{1,2,3}			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 2021	2,961	3,908	5,073	74.0	97.7	126.8
Production	-479	-479	-479	-12.0	-12.0	-12.0
Revision	166	181	168	4.1	4.5	4.2
EOY 2022	2,648	3,610	4,762	66.2	90.3	119.1

1. Reserve estimates as at 31 December 2022 based on the 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 to the previous year as at 31 December 2021, apart from the impact of production during the year, is additional well production history during 2022 with analysis of these trends with low, mid and high side future production estimates.

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 2021	187	1,141	8,480	4.7	28.5	212.0
Revision	0	0	-2,572	0.0	0.0	-64.3
EOY 2022	187	1,141	5,908	4.7	28.5	147.7

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 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 as at 31 December 2022. 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).
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 2022 to 31 December 2022 for the Oseil oilfield and surrounding structures was 478,907 barrels of crude oil at an average daily rate of 1312 bopd (Lion share 33 bopd). This compares to an average daily rate of 1508 bopd (Lion share 38 bopd) for calendar year 2021 reporting period.

The joint venture continues to focus on operating cost reduction. Whilst the annual production decline was 13%, operating costs per barrel were US\$23.62 in 2022 compared to US\$21.85 in 2021. The Operator continues efforts to reduce operating expenditure whilst maximizing production.

Two crude oil liftings were completed in 2022.

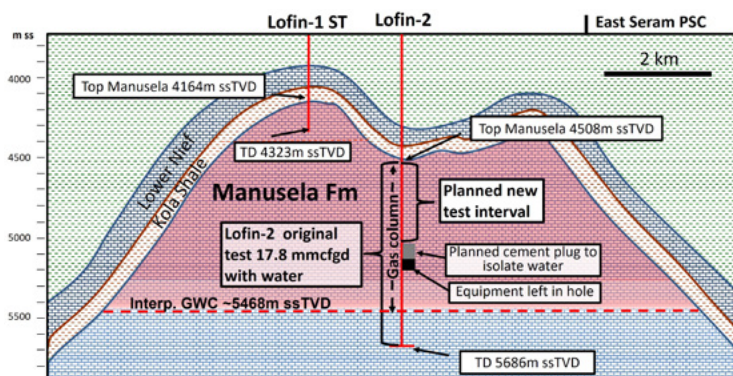
Date of Lifting	Crude oil lifted (bbl)	Revenue (Net to Lion) USD
Jun-22	246,535	\$658,261
Dec-22	224,853	\$354,509

Note: Revenue is before deduction of Indonesian Government entitlement.

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.



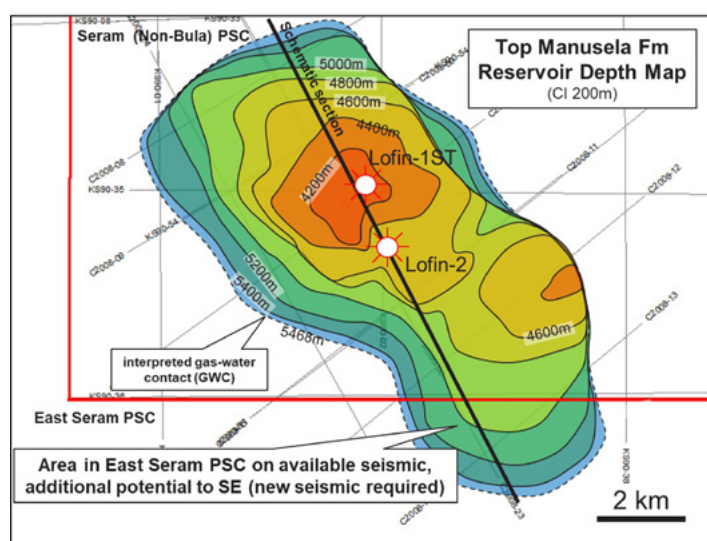
Lofin Field schematic cross section showing planned 2022 test interval in Lofin-2 well

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% CO₂.

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.

Seram (Non-Bula) PSC



Top Reservoir Map of Lofin Field with location of schematic section

The planned well testing of Lofin-2 commenced on December 18, 2022, with the re-entry of the well. The initial part of the testing program involved drilling out cement plugs and cleaning the well bore out prior to running the test string.

At December 31, 2022, three cement plugs had been drilled out, in readiness to drill the final cement plug sitting above and isolating the open hole Manusela Formation.

Contingent Resource estimates by Miller and Lents (M&L) in a report effective 31 December 2022 are shown in the tables below.

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 2021	752	1450	1764	18.8	36.3	44.1
Revision	0	0	0	0	0	0
EOY 2022	752	1450	1764	18.8	36.3	44.1

Lion acknowledges that while the Lofin Field is clearly a highly significant gas and condensate resource, there is still considerable uncertainty on its volume potential. 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.

Seram (Non-Bula) PSC

In-place and Contingent Resources^{1,2} Lofin Field, Seram (Non-Bula) Block PSC, Seram Island, Indonesia (as at 31 December 2022)

Manusela Formation Reservoir	Gross (100%) PSC					
	In-place			Recoverable		
	1C	2C	3C	1C	2C	3C
	(P ₉₀)	(P ₅₀)	(P ₁₀)	(P ₉₀)	(P ₅₀)	(P ₁₀)
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}		
	Low		Mid		1C	2C
	(P ₉₀)		(P ₅₀)		(P ₉₀)	(P ₅₀)
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/mm scf).
4. Conversion factor of 6 mcf = 1 barrel of oil equivalent (boe).

GLOSSARY

bbl: barrel

bcf: billion cubic feet

bopd: barrels oil per day

boe: barrels of oil equivalent

CNG: compressed natural gas

GWC: gas water contact

LNG: liquefied natural gas

mbbl: thousand barrels

MD: measured depth

mmbbl: million barrels

mmboe: million barrels oil equivalent

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 2022)	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				0.926	0.926	0.926				0.023	0.023	0.023
Oseil Area Undeveloped ⁷	Manusela				1.722	2.683	3.836				0.043	0.067	0.096
Total Reserves (Seram NB PSC)					2.648	3.609	4.762				0.066	0.090	0.119

Contingent Resources ⁸		1C	2C	3C	1C	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	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 (Seram NB PSC)		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 (Seram NB PSC)	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
PP6	Plio-Pleistocene	15.1	40.5	108.6	16.6	48.6	140.6	9.1	24.3	65.2	10.0	29.2	84.4
PP4	Plio-Pleistocene	0.0	0.1	0.2	15.2	31.9	63.7	0.0	0.1	0.1	9.1	19.1	38.2
PP10	Plio-Pleistocene	0.9	2.1	4.5	8.5	18.9	42.1	0.6	1.2	2.7	5.1	11.3	25.2
PP11	Plio-Pleistocene	7.3	17.1	41.1	5.2	13.1	33.4	4.4	10.3	24.7	3.1	7.9	20.1
PP9	Plio-Pleistocene	0.1	0.3	0.6	6.6	15.8	38.2	0.1	0.2	0.4	3.9	9.5	22.9
PP4 SE	Plio-Pleistocene				5.9	13.4	30.0				3.6	8.0	18.0
PP10 S (lead)	Plio-Pleistocene	2.0	3.4	6.5				1.2	2.1	3.9	0.0	0.0	0.0
PP8	Plio-Pleistocene	2.0	3.5	7.1	5.3	10.8	22.0	1.2	2.1	4.3	3.2	6.5	13.2
PP3	Plio-Pleistocene	0.2	0.2	0.5	0.0	0.8	1.4	0.1	0.1	0.3	0.0	0.5	0.9
PP12	Plio-Pleistocene	0.1	0.1	0.3	2.7	6.8	16.2	0.0	0.1	0.2	1.6	4.1	9.7
PP16 (lead)	Plio-Pleistocene	2.2	5.2	11.4	2.0	5.2	11.9	1.3	3.1	6.8	1.2	3.1	7.1
PP5 (East Seram PSC only)	Plio-Pleistocene				2.2	5.3	12.4				1.3	3.2	7.5
Offshore Bula Extension	Plio-Pleistocene				2.0	3.8	7.1				1.2	2.3	4.3
Solan	Plio-Pleistocene	0.7	1.5	3.6	1.5	3.6	8.7	0.4	0.9	2.1	0.9	2.1	5.2
<i>Sub-total East Seram PSC</i>		<i>932.3</i>	<i>3191.2</i>	<i>10995.9</i>	<i>233.3</i>	<i>816.0</i>	<i>2884.6</i>	<i>559.4</i>	<i>1914.7</i>	<i>6597.5</i>	<i>140.0</i>	<i>489.6</i>	<i>1730.7</i>
Total Prospective Resource		932.3	3191.2	10995.9	235.1	824.2	2910.5	559.4	1914.7	6597.5	140.0	489.8	1731.4

Notes:

1. Reserve and contingent resource estimates as at 31 December 2022 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 17 for a reconciliation of the Company's petroleum reserves holding against that of the prior year. Refer to the table on page 18 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 2022 with analysis of these trends with low, mid and high side future production estimates.
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. 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. 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 recomplate an existing well or install production or transportation facilities for primary or improved recovery projects. The marketing arrangement, infrastructure and environmental approvals are in place to cope with production of any reserves currently categorised as undeveloped.
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, undertaken in late 2022/early 2023 to more accurately determine gas deliverability, reservoir characteristics, water contact information and potential reservoir extent. Planned 3D seismic in 2024 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 the well test with a full scale development contingent on results of the planned 3D seismic. 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 2022. 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 2022

For the period 1 January to
31 December 2022

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 2022. 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.

Thomas Soulsby
Damien Servant
Russell Brimage
Christopher Newton
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 and progressing is green hydrogen strategy.

During the year the Company commenced exploring opportunities in the green hydrogen space within Australia, there were no other 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 \$2,720,188 for the year ended 31 December 2022 (2021: \$1,831,575).

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 2022.

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 participated in oil production and workover activities in the Seram (Non-Bula) PSC in 2022. Gross production was 478,907 (average 1,312 bopd), a 13.0% decline over the 2021 production of 550,734 barrels reflecting the natural decline of the Oseil field.

The joint-venture completed 2 liftings of 246,535 barrels and 224,853 barrels in June and December respectively. This compares to a total lifted volume of 541,468 barrels in 2021 from 2 liftings. Gross inventory as of 31 December 2022 was 11,698 barrels. The impact of Covid-19 on Seram (Non-Bula) operations was minimal, with no interruptions to production or activities.

DIRECTOR'S REPORT

Re-entry and testing of the Lofin-2 well commenced on 18 December 2022, with re-entry, testing and completion of the well in readiness for commercialisation, expected to complete during 1H2023. Progress to 31 December 2022 included the re-entry part of the well test, including drilling out three cement plugs in readiness to drill out the final cement plug sitting above the open hole Manusela Formation reservoir.

EAST SERAM PSC

The East Seram PSC was signed in July 2018 with Lion having a 100% participating interest through its wholly owned subsidiary Balam Energy Pte Ltd. 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.

During 2022, Lion commenced the acquisition of onshore seismic on Seram Island. The seismic operations completed post year-end in January 2023 with a total of 194 line kilometres recorded. The complementary Gravity survey acquisition (1,000 stations) was completed on 7 December 2022.

GREEN HYDROGEN

During the year, Lion firmed up its green hydrogen strategy focusing on heavy mobility and in particular, public transport bus operators. Lion is now moving to establish key refuelling infrastructure for Hydrogen Buses. Key activities during the year included:

- Completion of front-end engineering and design (FEED) for the Company's first hydrogen production and refuelling station in Australia.
- Site selection for the first hydrogen hub location, with commercial negotiations and related due diligence well advanced as of 31 December 2022.
- Due-diligence and selection of major equipment vendors.
- Commercial discussions with prospective hydrogen customers.

CORPORATE

Cash balance as of 31 December 2022 was US\$6.5 million (including joint-venture cash).

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

In March 2023, Lion announced the location of its first site at Port of Brisbane, subject to final approval by the Board of Port of Brisbane Pty Ltd and the execution of a lease agreement.

No other 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

In 2023, Lion aims to start construction of its first hydrogen facility with commissioning in 1Q2024.

Lion will also continue to pursue its activity of oil and gas exploration and evaluation, notably the interpretation of the seismic results in East Seram and the technical and commercial work in relation to the Lofin-2 test that is expected to complete during 1Q2023.

Lion expects the divestment of 0.25% interest in Seram (Non-Bula) PSC to be finalized during the first half of 2023. At completion, Lion's participating interest in the Seram (Non-Bula) PSC will reduce to 2.25% from 2.5% currently.

DIRECTOR'S REPORT

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:	None
Interest in shares and options of the Company at the date of this report:	7,180,673 Ordinary Shares 3,958,333 Listed Options 6,800,000 Performance Rights
Directors meetings attended:	3 of 3 held during term in financial period
Appointed:	10 January 2014

DIRECTOR'S REPORT

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:	6,119,971 Ordinary Shares 833,334 Listed Options 1,275,000 Performance Rights
Directors meetings attended:	3 of 3 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 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 Limited: delisted 18 December 2020
Interest in shares and options of the Company at the date of this report:	2,329,007 Ordinary Shares 1,666,667 Listed Options 1,275,000 Performance Rights
Directors meetings attended:	3 of 3 held during term in financial period
Appointed:	10 January 2014

DIRECTOR'S REPORT

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:	None
Interest in shares and options of the Company at the date of this report:	3,144,434 Ordinary Shares 1,822,917 Listed Options 4,250,000 Performance Rights
Directors meetings attended:	3 of 3 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 Kingsland Global (ASX:KLO), Kairos Minerals Limited (ASX:KAI) and Odessa Minerals Limited (ASX:ODE).

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 Odessa Minerals Limited: current Kairos Minerals Limited: current Tap Oil Limited: delisted 18 December 2020 Vital Metals Limited: resigned 4 August 2020
Interest in shares and options of the Company at the date of this report:	4,577,900 Ordinary Shares 3,333,333 Listed Options 1,275,000 Performance Rights
Directors meetings attended:	3 of 3 held during term in financial period
Appointed:	13 February 2019

DIRECTOR'S REPORT

ARRON CANICAIS

COMPANY SECRETARY

Qualifications and Experience:

Mr Canica is a Chartered Accountant with 16 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 Canica 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.

DIRECTORS MEETINGS

During the year ended 31 December 2022, 3 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 2022. 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.

DIRECTOR'S REPORT

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.

	31/12/22	31/12/21	31/12/20	31/12/19	31/12/18
	12 months	12 months	12 months	12 months	12 months
Loss after tax expenses	2,720,188	1,831,575	746,274	778,200	727,683
Loss per share – cents	0.64	0.68	0.36	0.38	0.54
Share price – cents (AUD)	3.30	6.60	2.50	2.30	3.50

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
Damien Servant	Executive Director
Russell Brimage	Non-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\$240,012	-	No fixed term	1 month
Russell Brimage	US\$43,200	-	No fixed term	N/A
Damien Servant**	US\$206,780	-	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 \$240,012, \$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 \$183,312.

** Of Mr Damien Servant's total fees of \$206,780, \$71,250 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 \$178,280.

DIRECTOR'S REPORT

DETAILS OF REMUNERATION

Compensation 12 months to 31 December 2022

	Short Term Benefits ¹ \$	Cash bonus \$	Post employe nt benefits (super- annuation) \$	Share based payments \$	Termin- ation benefits \$	Total ² \$	Equity related %	Perfor- mance related %
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.								
Thomas Soulsby	183,304	50,000	-	47,610	-	280,914	16.95	17.80
Damien Servant	178,271	50,000	-	29,756	-	258,027	11.53	19.38
Russell Brimage	43,200	-	-	8,927	-	52,127	17.13	-
Christopher Newton	43,186	-	-	8,927	-	52,113	17.13	-
Zane Lewis	43,200	-	-	8,927	-	52,127	17.13	-
TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL	491,161	100,000	-	104,147	-	695,308		

Compensation 12 months to 31 December 2021

	Short Term Benefits ¹ \$	Cash bonus \$	Post employe nt benefits (super- annuation) \$	Share based payments \$	Terminati on benefits \$	Total ² \$	Equity related %	Perfor- mance related %
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.								
Thomas Soulsby	145,800	-	-	62,133	-	207,933	29.88	-
Damien Servant	114,000	-	-	38,833	-	152,833	25.41	-
Russell Brimage	43,200	-	-	11,650	-	54,850	21.24	-
Christopher Newton	43,152	-	-	11,650	-	54,802	21.26	-
Zane Lewis	43,209	-	-	11,650	-	54,859	21.24	-
TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL	389,361	-	-	135,916	-	525,277		

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. During the year, a bonus of \$50,000 was paid to both Mr Thomas Soulsby and Mr Damien Servant (2021: \$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 (2021: \$141,750) and \$71,250 (2021: \$71,250) respectively. The fees attributable to the Group for Mr Soulsby and Mr Servant was \$85,050 (2021: \$85,050) and \$42,750 (2021: \$42,750) respectively, which has been included in their reported compensation.

DIRECTOR'S REPORT

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	1 January 2022 or Appointment	Number of Ordinary Shares Issued as Compensation	Net Change Other	31 December 2022 or Resignation
Thomas Soulsby	5,330,673	-	1,850,000	7,180,673
Damien Servant	2,516,667	-	627,767	3,144,434
Russell Brimage	6,119,971	-	-	6,119,971
Christopher Newton	2,329,007	-	-	2,329,007
Zane Lewis	4,577,900	-	-	4,577,900
			-	
	20,874,218	-	2,477,767	23,351,985

These net changes during the year relate to on-market purchases of ordinary shares or through conversion of performance rights.

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	1 January 2022 or Appointment	Number of Options Issued as Compensation	Net Change Other	31 December 2022 or Resignation
Thomas Soulsby	3,333,333	-	625,000	3,958,333
Damien Servant	1,666,667	-	156,250	1,822,917
Russell Brimage	833,334	-	-	833,334
Christopher Newton	1,666,667	-	-	1,666,667
Zane Lewis	3,333,333	-	-	3,333,333
	10,833,334	-	781,250	11,614,584

These net changes during the year relate to acquiring, exercising, or expiring of options.

PERFORMANCE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

	1 January 2022 or Appointment	Number of Performance Rights Issued as Compensation	Net Change Other	31 December 2022 or Resignation
Thomas Soulsby	6,800,000	-	-	6,800,000
Damien Servant	4,250,000	-	-	4,250,000
Russell Brimage	1,275,000	-	-	1,275,000
Christopher Newton	1,275,000	-	-	1,275,000
Zane Lewis	1,275,000	-	-	1,275,000
	14,875,000	-	-	14,875,000

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 \$77,112.

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

DIRECTOR'S REPORT

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 2021. 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

As at 31 December 2022, there were 177,926,689 options on issue and 15,342,500 performance rights on issue.

SHARE OPTIONS EXERCISED

During the year there were no share options exercised.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial period, the Company paid premiums of AU\$27,298 (2021: AU\$24,207) 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

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the

DIRECTOR'S REPORT

financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 2022. 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.

A handwritten signature in dark ink, appearing to read 'T. Soulsby', with a stylized, looping flourish at the end.

Thomas Soulsby
Executive Chairman
30 March 2023
Perth, Western Australia

To the Board of Directors,

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the audit of the financial statements of Lion Energy Limited for the financial year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours Faithfully

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of March 2023

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		Consolidated Entity	
		31 December 2022	31 December 2021
	Note	\$	\$
Revenue	4	1,072,768	945,888
Cost of goods sold	4	(439,999)	(508,227)
GROSS PROFIT		632,769	437,661
Other income	4	17,419	105
Administration expenses	4	(1,470,281)	(1,083,375)
Finance costs	13	(1,071,929)	(906,460)
Foreign exchange loss		(471,452)	(71,578)
Impairment – Oil & Gas Properties	11	(166,348)	(148,152)
LOSS BEFORE INCOME TAX EXPENSE		(2,529,822)	(1,771,799)
Income tax expense	5	(190,366)	(59,776)
LOSS AFTER RELATED INCOME TAX EXPENSE		(2,720,188)	(1,831,575)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Exchange differences on translating foreign operations		497	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		497	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,719,691)	(1,831,575)
LOSS PER SHARE			
BASIC LOSS PER SHARE (CENTS PER SHARE)	6	(0.64)	(0.68)
DILUTED LOSS PER SHARE (CENTS PER SHARE)	6	(0.64)	(0.68)

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Consolidated Entity	
		31 December 2022	31 December 2021
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	18	6,512,364	8,683,378
Trade and other receivables	7	898,393	469,330
Inventories	8	310,864	251,490
TOTAL CURRENT ASSETS		7,721,621	9,404,198
NON-CURRENT ASSETS			
Plant and equipment		1,445	3,775
Receivables	9	182,250	182,250
Capitalised exploration and evaluation expenditure	10	1,447,839	464,362
Oil & gas properties	11	-	-
TOTAL NON-CURRENT ASSETS		1,631,544	650,387
TOTAL ASSETS		9,353,165	10,054,585
CURRENT LIABILITIES			
Trade and other payables	12	1,055,259	307,287
Convertible notes	13	-	1,367,173
TOTAL CURRENT LIABILITIES		1,055,259	1,674,460
NON-CURRENT LIABILITIES			
Provision for restoration	14	200,438	199,570
TOTAL NON-CURRENT LIABILITIES		200,438	199,570
TOTAL LIABILITIES		1,255,697	1,874,030
NET ASSETS		8,097,468	8,180,555
EQUITY			
Issued capital	15	59,092,014	56,869,909
Reserves	16	5,407,092	4,992,096
Accumulated losses		(56,401,638)	(53,681,450)
TOTAL EQUITY		8,097,468	8,180,555

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		Consolidated Entity	
		31 December 2022	31 December 2021
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		638,704	800,305
Payments to suppliers and employees		(1,095,436)	(1,279,050)
Income tax paid		(190,366)	(59,776)
Interest received		17,419	105
NET CASH USED IN OPERATING ACTIVITIES	18	(629,679)	(538,416)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(708)
Exploration and evaluation expenditure		(984,498)	(49,151)
Expenditure on oil and gas properties		(175,966)	(217,778)
Refund of performance bond collateral		-	225,000
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		(1,160,464)	(42,637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		90,081	5,486,428
Share issue costs		-	(329,737)
Proceeds from convertible notes		-	3,598,482
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		90,081	8,755,173
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,700,062)	8,174,120
Net foreign exchange differences		(470,952)	(152,366)
Cash and cash equivalents at beginning of period		8,683,378	661,624
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18	6,512,364	8,683,378

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital \$	Option Premium Reserve \$	Share Based Payment Reserve \$	Currency Translation Reserve \$	Convertible Note Reserve \$	Accumulated Losses \$	Total Equity \$
AT 31 DECEMBER 2020	50,664,973	(27,070)	4,395	2,862,775	-	(51,849,875)	1,655,198
Loss for the year	-	-	-	-	-	(1,831,575)	(1,831,575)
Other comprehensive income	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	-	-	(1,831,575)	(1,831,575)
<u>Transactions with owners in their capacity as owners:</u>							
Securities issued	5,477,427	-	-	-	-	-	5,477,427
Issue of share capital (net of capital raising cost)	(549,992)	-	220,255	-	-	-	(329,737)
Convertible notes issued	-	-	1,758,931	-	157,470	-	1,916,401
Convertible notes converted	1,194,293	-	-	-	(44,710)	-	1,149,583
Share based payments vesting	-	-	143,258	-	-	-	143,258
Performance rights vested	83,208	-	(83,208)	-	-	-	-
AT 31 DECEMBER 2021	56,869,909	(27,070)	2,043,631	2,862,775	112,760	(53,681,450)	8,180,555
Loss for the year	-	-	-	-	-	(2,720,188)	(2,720,188)
Other comprehensive income	-	-	-	497	-	-	497
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	497	-	(2,720,188)	(2,719,691)
<u>Transactions with owners in their capacity as owners:</u>							
Securities issued	89,887	-	-	-	-	-	89,887
Equity raising costs	(419,839)	-	419,839	-	-	-	-
Convertible notes converted	2,552,057	-	-	-	(112,760)	-	2,439,297
Share based payments vesting	-	-	107,420	-	-	-	107,420
AT 31 DECEMBER 2022	59,092,014	(27,070)	2,570,890	2,863,272	-	(56,401,638)	8,097,468

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 were authorised for issue in accordance with a resolution of the directors. 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 23 and 24.

The Group's registered office is in Suite 1, 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 2022, the Consolidated Entity has adopted all Accounting Standards and Interpretations effective from 1 January 2022. 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 have not been early adopted by the Group. The Group intends to adopt new and amended standards and interpretations, if applicable, when they become effective.

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 2022. 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:

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- 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 and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting 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

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- 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.

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.

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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.

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.

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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:

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.

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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).

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.

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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.

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

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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.

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 24.

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 acquiree, 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

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

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On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

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

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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.

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 \$2,529,822 (2021: \$1,771,799) and expended a net operating cash outflow of \$629,679 (2021: \$538,416 outflow) for the year to 31 December 2022.

The Consolidated Entity is currently in a positive net current asset position of \$6,666,362 (2021: \$7,729,738). The Directors are confident that the Group currently has sufficient cash to fund its share of approved joint venture activities and other forecasted cash outflows 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Consolidated Entity	
31 December 2022	31 December 2021
\$	\$

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

Revenue from contracts with customers - Oil sales	1,012,768	885,888
Management fees	60,000	60,000
	<u>1,072,768</u>	<u>945,888</u>

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

Other income:

Interest income	17,419	105
	<u>17,419</u>	<u>105</u>

EXPENSES

Cost of goods sold:

Production costs	427,039	438,601
Depreciation, Depletion & Amortisation	12,960	69,626
	<u>439,999</u>	<u>508,227</u>

Administration and employee benefit expenses:

Depreciation	-	419
Consultants	324,773	76,613
Legal expenses	8,118	9,694
Professional fees	191,058	244,332
Rental costs	4,167	4,509
Travel	40,082	8,828
Wages, salaries and directors fee	640,305	459,809
Share based payment expense	107,420	143,258
Other administration expenses	154,358	135,913
	<u>1,470,281</u>	<u>1,083,375</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Consolidated Entity	
31 December 2022	31 December 2021
\$	\$

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:

LOSS FROM CONTINUING OPERATIONS	(2,529,822)	(1,771,799)
Prima facie income tax benefit on operating loss calculated at 25% (2021:25%)	(632,456)	(442,949)
Non-deductible expenses	320,151	97,217
Amortisation of convertible note transaction costs	267,982	-
Difference of effective foreign income tax rates	163	234,913
Income tax benefit not brought to account	205,227	454
Prior year under provision	29,299	170,141
INCOME TAX EXPENSE FROM CONTINUING OPERATIONS	190,366	59,776

Deferred tax balances as at 31 December 2022 were not recognised in the statement of financial position. These relate to the deferred tax assets from the following accounts:

Accruals	8,336	50,366
Unrecognised deferred tax asset – temporary differences	126,538	-
Unrecognised deferred tax asset – revenue losses	3,624,539	3,498,593
Unrecognised deferred tax asset – capital losses	371,949	371,949
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	4,131,362	3,920,908

The Group's unused tax losses that arose from revenue primarily relates to those incurred by the parent company based in Australia of AUD \$12,716,028 (2021: AUD \$11,972,436) that are available indefinitely for offsetting against future taxable profits of the parent, subject to the parent entity meeting the required tax loss recoupment rules at that time.

The Group has unused capital losses of US \$1,487,796 (2021: US \$1,487,796) 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, subject to the parent entity meeting the required tax loss recoupment rules at that time.

NOTE 6. LOSS PER SHARE

Both basic and diluted EPS have been calculated using the following variables:

Loss used in the calculation of basic/diluted EPS	(2,720,188)	(1,831,575)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic/diluted earnings per share	423,804,439	268,130,971

NOTE 7. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade debtors	354,509	399,496
Other debtors	543,884	69,834
	898,393	469,330

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Consolidated Entity	
	2022 \$	2021 \$
NOTE 8. INVENTORIES		
Oil in Storage	12,517	7,663
Inventory - materials	298,347	243,827
TOTAL	310,864	251,490

NOTE 9. RECEIVABLES (NON CURRENT)

Performance bonds collateral	122,250	122,250
Deposit with SKK Migas	60,000	60,000
TOTAL	182,250	182,250

Performance bonds collateral:

Lion has lodged collateral to support its exploration commitments in the production commitments in the Seram (Non-Bula) PSC of \$122,250. Lion expects the collateral will be refunded in 2024.

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 dated 25 September 2019, Lion received \$40,000 from the Farm-in partner for its share of the deposit.

NOTE 10. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

Capitalised exploration and evaluation expenditure	1,447,839	464,362
TOTAL	1,447,839	464,362

MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

At the beginning of the financial period	464,362	415,211
Expenditure during the period	983,477	49,151
AT THE END OF THE FINANCIAL PERIOD	1,447,839	464,362

Capitalised exploration and evaluation expenditure above includes \$1,447,839 (2021: \$464,362) 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Consolidated Entity 2022 \$	2021 \$
NOTE 11. OIL AND GAS PROPERTIES		
Oil and gas properties at cost	3,102,224	2,875,761
Accumulated depreciation, depletion, amortisation and impairment	(3,102,224)	(2,875,761)
TOTAL	-	-

MOVEMENTS IN THE CARRYING AMOUNT OF OIL AND GAS PROPERTIES

At the beginning of the financial period	-	-
Expenditure during the period	179,308	217,778
Depreciation, Depletion & Amortisation	(12,960)	(69,626)
Impairment	(166,348)	(148,152)
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 (2021: 2.5%). As part of the Group's assessment of impairment of oil & gas properties in 2022, it identified that the carrying value exceeded its recoverable value and have therefore impaired the entire asset as at that balance date. The impairment assessment resulted in this condition due to the volatile oil price environment and forecasted exploration related expenditure required to maintain the PSC in good standing.

NOTE 12. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables	1,055,259	307,287
TOTAL	1,055,259	307,287

NOTE 13. CONVERTIBLE NOTES

Convertible notes	-	1,367,173
TOTAL	-	1,367,173

MOVEMENTS IN THE CARRYING AMOUNT OF CONVERTIBLE NOTES

	Number	\$
At the beginning of the financial period	3,375,000	1,367,173
Finance expense accretion	-	1,077,485
Impact of foreign exchange	-	(5,556)
Conversion of convertible notes	(3,375,000)	(2,439,102)
AT THE END OF THE FINANCIAL PERIOD	-	-

On 15 November 2021 3,375,000 convertible notes with a face value of AUD \$3,375,000 were issued to investors (announced 17 November 2021). Each note was issued with the following terms:

- Face value of AUD \$1 per note
- Maturity date: 31 December 2022
- Security: Unsecured
- Conversion: subject to approval at a General Meeting (completed 12 January 2022)
- Conversion price of AUD \$0.08 per share
- Each share issued from the convertible notes will include a 1:2 Option
- Interest: 12% per annum

The option terms include an AUD \$0.12 exercise price with an expiry of 2 years and 6 months from the issue date.

On 19 January 2022, the convertible notes were converted into 42,187,500 fully paid ordinary shares and 21,093,750 options.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 14. PROVISION FOR RESTORATION (NON-CURRENT)	Consolidated Entity	
	2022	2021
Provision for restoration	\$ 200,438	\$ 199,570
TOTAL	200,438	199,570

NOTE 15. ISSUED CAPITAL

426,110,223 (2021: 382,360,223) fully paid ordinary shares	59,092,014	56,869,909
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MOVEMENTS IN ISSUED CAPITAL

	Shares		\$	
	2022	2021	2022	2021
At the beginning of the period	382,360,223	207,401,790	56,869,909	50,664,973
Placement issued 29 April 2021	-	31,100,000	-	723,728
Director participation in placement issued 6 July 2021	-	11,666,667	-	264,701
Conversion of convertible notes issued 6 July 2021	-	51,697,144	-	1,194,293
Vesting of performance rights issued 17 September 2021	-	2,707,500	-	83,208
Conversion of options issued 5 November 2021	-	499,334	-	15,007
Conversion of options issued 18 November 2021	-	737,788	-	21,547
Placement issued 23 November 2021	-	76,250,000	-	4,443,735
Conversion of options issued 26 November 2021	-	300,000	-	8,709
Director participation in placement issued 19 January 2022	1,562,500	-	89,887	-
Conversion of convertible notes issued	42,187,500	-	2,552,057	-
Share issue expenses (refer Note 29)	-	-	(419,839)	(549,992)
AT THE END OF THE FINANCIAL PERIOD	426,110,223	382,360,223	59,092,014	56,869,909

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Consolidated Entity	
	2022	2021
	\$	\$
NOTE 16. RESERVES		
Option premium reserve	(27,070)	(27,070)
Share based payment reserve	2,570,890	2,043,631
Currency translation reserve	2,863,272	2,862,775
Convertible note reserve	-	112,760
TOTAL	5,407,092	4,992,096
MOVEMENTS IN SHARE BASED PAYMENT RESERVE		
At the beginning of the financial period	2,043,631	4,395
Options issued for the financial year	419,839	1,979,186
Vesting of share based payments for the financial year	107,420	143,258
Performance milestones met during the year and issued	-	(83,208)
AT THE END OF THE FINANCIAL PERIOD	2,570,890	2,043,631
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the financial period	2,862,775	2,862,775
Addition/transfer	497	-
AT THE END OF THE FINANCIAL PERIOD	2,863,272	2,862,775
MOVEMENTS IN CONVERTIBLE NOTE RESERVE		
At the beginning of the financial period	112,760	-
Addition/transfer	-	157,470
Converted to	(112,760)	(44,710)
AT THE END OF THE FINANCIAL PERIOD	-	112,760

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 translation of functional currencies to the presentation currency of USD.

The convertible note reserve is used to record the differences between the fair value of debt and the face value of convertible notes classified as compound financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

MOVEMENTS IN OPTIONS AND PERFORMANCE RIGHTS

	Options		Performance Rights	
	2022	2021	2022	2021
At the beginning of the period	102,926,689	-	15,342,500	-
Performance Rights issued to Directors and consultants – 5 July 2021	-	-	-	18,050,000
Quoted options issued relating to a placement, convertible note conversion and to the lead manager – 12 July 2021,		104,463,811	-	-
Conversion of performance rights – 17 September 2021	-	-	-	(2,707,500)
Exercise of options – 5 November 2021	-	(499,334)	-	-
Exercise of options – 18 November 2021		(737,788)	-	-
Exercise of options – 26 November 2021		(300,000)		
Quoted options issued – 19 January 2022	75,000,000			
AT THE END OF THE FINANCIAL PERIOD	177,926,689	102,926,689	15,342,500	15,342,500

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Company	
	2022 \$	2021 \$
NOTE 17. PARENT ENTITY		
FINANCIAL INFORMATION ON THE PARENT ENTITY AS AT THE END OF THE FINANCIAL PERIOD:		
CURRENT ASSETS		
Cash and cash equivalents	5,953,936	8,614,109
Trade and other receivables	518,846	43,417
TOTAL CURRENT ASSETS	6,472,782	8,657,526
NON-CURRENT ASSETS		
Plant and equipment	-	3,343
Investments in subsidiaries	756,222	756,222
TOTAL NON-CURRENT ASSETS	756,222	759,565
TOTAL ASSETS	7,229,004	9,417,091
CURRENT LIABILITIES		
Trade and other payables	115,808	95,536
Convertible note	-	1,367,173
Amounts owing to subsidiaries	8,002,032	8,039,356
TOTAL CURRENT LIABILITIES	8,117,840	9,502,065
TOTAL LIABILITIES	8,117,840	9,502,065
NET ASSETS	(888,836)	(84,974)
EQUITY		
Issued capital	59,092,016	56,869,910
Reserves	5,252,080	4,837,581
Accumulated losses	(65,232,932)	(61,792,465)
TOTAL EQUITY	(888,836)	(84,974)
FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL PERIOD:		
Loss after related income tax expense	(3,440,467)	(2,098,065)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	(3,440,467)	(2,098,065)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Consolidated Entity	
	2022	2021
	\$	\$
NOTE 18. CASH FLOW INFORMATION		
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
LOSS AFTER TAX	(2,720,188)	(1,831,575)
<i>Non-cash flow items in loss</i>		
Depreciation of plant and equipment	-	419
Depreciation, Depletion & Amortisation of development expenditure	12,960	69,626
Foreign exchange	471,452	38,387
Impairment of oil & gas properties	163,006	148,153
Share based payments	107,420	143,258
Finance costs	1,071,929	939,651
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade debtors	(429,064)	(140,695)
Increase/(decrease) in inventories	(59,374)	47,154
Increase/(decrease) in other creditors and accruals	752,180	47,206
NET CASH USED IN OPERATING ACTIVITIES	(629,679)	(538,416)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
<i>Cash and cash equivalents at the end of the financial period is shown in the accounts as:</i>		
Cash and cash equivalents	5,954,047	8,614,109
Share of joint operations cash	558,317	69,269
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	6,512,364	8,683,378

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year the Company incurred non-cash financing transactions of \$419,839, associated with the issue of options to the lead manager as described in Note 29. There were no other non-cash financing or investing activities that occurred during the year.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 19. 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 \$841,300 (2021: \$841,300). The Group has provided security bond of US\$122,250 in respect of this commitment.

	Consolidated Entity	
	2022	2021
	\$	\$
NOTE 20. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report – Australia	32,065	47,897
TOTAL	32,065	47,897

NOTE 21. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Short term employee benefits	591,161	389,361
Post-employment benefits	-	-
Share based payments	104,147	135,916
Termination benefits	-	-
TOTAL	695,308	525,277

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 \$77,112 (2021: \$47,172).

During the year, \$213,000 of consulting fees were paid by the East Seram Joint Operation to Mr Thomas Soulsby and Mr Damien Servant (2021: \$213,000). The proportion attributable to the Group totalling \$127,800 has been included in short term employee benefits (2021: \$127,800).

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

NOTE 22. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 23. CONTROLLED ENTITIES

	Country of Incorporation	Principal Activity	Group Ownership Interest	
			2022 %	2021 %
<i>Entities controlled by Lion Energy Limited</i>				
Lion International Investment Limited	Cayman Islands	Oil & gas exploration and production	100%	100%
Balam Energy Pte Ltd	Singapore	Oil & gas exploration and production	100%	100%
Seram Energy Pte Ltd	Singapore	Dormant holding entity	100%	100%
Lion H2 Energy Pty Ltd	Australia	Hydrogen development	100% ¹	-

(1) Lion H2 Energy Pty Ltd was incorporated during the 2022 financial year.

NOTE 24. 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 2022	31 December 2021
Seram (Non-Bula) Joint Operation ¹	Indonesia	Production, exploration and development	2.5%	2.5%
East Seram Joint Operation	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 25.

¹In January 2021, CITIC Seram, the operator of the Seram (Non-Bula) PSC, was requested by the Government of Indonesia, in accordance with the terms of the PSC, to offer a 10% participating interest to a Regional-Owned Company appointed by the Local Government of Maluku. The 10% would be transferred by the existing participants in the PSC pro-rata to their respective participating interests.

In March 2021, CITIC Seram received a first Letter of Intent from the Regional-Owned Company requesting to start a due diligence process. In January 2022, the Regional-Owned Company advised it had completed its due-diligence and intends to acquire the 10% participating interest subject to commercial terms to be agreed. Based on a letter issued by the Minister of Energy and Mineral Resources in the Republic of Indonesia, the price for the 10% participating interest will be 10% of the performance bond provided by the PSC at the time of PSC extension in 2019.

The process is expected to complete by Q2 2023. At completion, Lion's participating interest in Seram (Non-Bula) PSC will reduce to 2.25% from 2.5% currently.

NOTE 25. CONTINGENT LIABILITIES

As at 31 December 2022 the Group had no contingent liabilities, except for the portion of the performance bond in East Seram PSC of \$1,125,000 (2021: \$1,125,000) that was paid through a guarantee arrangement (Note 9). This portion of the performance has been included in expenditure commitments as per Note 19.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 26. 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 2022 \$	AMOUNTS IN AUD 2021 \$
<i>Financial Assets</i>		
Cash assets	2,854,732	1,304,251
Receivables	-	-
<i>Financial Liabilities</i>		
Payables	31,575	39,539

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 2022. Credit risk is managed on a group basis and reviewed by the Board. It arises from exposures to 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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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	
	2022	2021
	\$	\$
TRADE AND SUNDRY PAYABLES MATURING AS FOLLOWS:		
Less than 6 months	1,055,259	307,287
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	<u>1,055,259</u>	<u>307,287</u>

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 2022.

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 2022, 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:

	Consolidated Entity	
	2022	2021
	\$	\$
INCREASE/(DECREASE) IN PROFIT DUE TO:		
Improvement in USD to AUD by 5%	92,796	49,488
Decline in USD to AUD by 5%	(92,796)	(49,488)
INCREASE/(DECREASE) IN EQUITY DUE TO:		
Improvement in USD to AUD by 5%	92,796	49,488
Decline in USD to AUD by 5%	(92,796)	(49,488)

NOTE 27. 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 (2021: \$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 21. Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 28. DIVIDENDS

No dividends have been paid or proposed during the period.

NOTE 29. SHARE BASED PAYMENT EXPENSE

During the year 15,000,000 options with an exercise price of \$0.12 expiring 19 July 2024 to Peak Asset Management as part consideration for the provision of lead manager services.

The options were valued using the Black-Scholes methodology with the following assumptions:

Grant date	12 January 2022
Underlying share price (\$)	0.071
Exercise price (\$)	0.12
Expected volatility	116%
Life of the options (years)	2.5
Expected dividends	Nil
Risk free rate	0.61%
Fair value per option (USD)	\$0.028

NOTE 30. EVENTS SUBSEQUENT TO REPORTING DATE

In March 2023, Lion announced the location of its first site at Port of Brisbane, subject to final approval by the Board of Port of Brisbane Pty Ltd and the execution of a lease agreement.

No other 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.

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 2022 and of the performance for the year ended on that date; and
 - b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- 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 2022.

On behalf of the Board of Directors.



Thomas Soulsby
Executive Chairman
30 March 2023
Perth, Western Australia

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 ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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 Consolidated Entity 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition <p>During the year ended 31 December 2022, Lion Energy Limited generated sales revenue of \$1,072,768 (2021: \$945,888).</p> <p>Revenue recognition has been included as a key audit matter in the audit report due to its financial significance and the significant increase in revenue during the year.</p>	<ul style="list-style-type: none"> • Evaluated the appropriateness of recognition of revenue; • Enquired with the key managerial personnel and executives of the company to the sales process and their application to revenue recognition; • Performing substantive audit procedures by verifying revenue to relevant supporting documentation including underlying agreements with customers, bill of lading, sales invoices, verification of receipts to Lion Energy and ensuring the revenue was recognised in the correct period. • We assessed the appropriateness of the related disclosures in Note 4 to the financial statements.
Exploration and evaluation <p>As at balance date the Consolidated Entity had an exploration balance of \$1,447,839 (2021: \$464,362).</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance to the Consolidated Entity's financial position. • The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ("AASB 6"). AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements. • For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; • We tested the exploration and evaluation expenditure incurred during the year by evaluating a sample of recorded expenditure for consistency

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.</p> <ul style="list-style-type: none"> • The assessment of impairment of exploration and evaluation expenditure being inherently difficult. 	<p>to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;</p> <ul style="list-style-type: none"> • We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets. • We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> - the licenses for the right to explore expiring in the near future or are not expected to be renewed; - substantive expenditure for further exploration in the specific area is neither budgeted or planned - decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full of successful development or sale. • We assessed the appropriateness of the related disclosures in Note 10 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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, 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 Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has 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 judgement 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 Consolidated Entity's internal control.

- 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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 with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2022. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Lion Energy Limited, for the year ended 31 December 2022, complies with section 300A of the Corporations Act 2001.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of March 2023

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION AS AT 29 MARCH 2023

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

	Ordinary Shares	LIOO Quoted Options	LIOOA Quoted Options
1 — 1,000	181	1	1
1,000 — 5,000	88	0	1
5,001 — 10,000	519	1	2
10,001 — 100,000	1,453	31	164
100,001 — and over	424	57	82
Total number of holders	2,665	90	250
Holders of less than a marketable parcel	1,018	-	-

REGISTERED OFFICE OF THE COMPANY

Suite 1
295 Rokeby Road
Subiaco
Western Australia 6005

Tel: +61 (8) 6555 2950
Fax: +61 (8) 6166 0261

STOCK EXCHANGE LISTING

Quotation has been granted for 426,110,223 ordinary shares, 102,926,689 LIOO quoted options and 75,000,000 LIOOA quoted options 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 11
172 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 Canicaïs.

TAXATION STATUS

Lion Energy Limited is taxed as a public company.

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION AS AT 29 MARCH 2023

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Registered Holder	Number of Shares	Percentage of Total
CITICORP NOMINEES PTY LIMITED	74,257,993	17.43
RISCO ENERGY UNCONVENTIONAL PTE LTD	54,886,009	12.88
10 BOLIVIANOS PTY LTD	17,612,106	4.13
RISCO ENERGY INVESTMENTS (SEA) LIMITED <RISCO ENERGY INVESTMENTS A/C>	15,683,282	3.68
PT SENADA NUSANTARA	11,885,464	2.79
SIMCO ENERGY LTD	9,937,100	2.33
MR SAMMY HAMZAH	8,900,654	2.09
MR THOMAS SOULSBY	6,743,333	1.58
POUVOIR PTY LTD <BRIMAGE SUPER FUND A/C>	6,113,171	1.43
PT PARAMA MUSTIKA INDONESIA	5,000,000	1.17
MR ZANE ROBERT LEWIS <RLZ A/C>	4,002,900	0.94
W & N MORRISON INVESTMENTS PTY LTD <THE MORRISON FAMILY A/C>	3,901,151	0.92
MS SAW HWA TEH	3,896,540	0.91
MR DAMIEN SERVANT	2,729,167	0.64
MR NIV DAGAN	2,713,237	0.64
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,634,462	0.62
MRS PETRONELLA FARRELL	2,446,302	0.57
CRANLEY CONSULTING PTY LTD <CRANLEY CONSULTING A/C>	2,441,303	0.57
MR CHRISTOPHER BASIL NEWTON	2,329,007	0.55
SUPERHERO SECURITIES LIMITED <CLIENT A/C>	2,074,383	0.49
Total	240,187,564	56.37%

TWENTY LARGEST HOLDERS OF LIOO QUOTED OPTIONS

Registered Holder	Number of Shares	Percentage of Total
AREEN INVESTMENTS PTE LTD	17,039,269	16.55
RISCO ENERGY INVESTMENTS (SEA) LIMITED <RISCO ENERGY INVESTMENTS A/C>	13,620,782	13.23
TANGO88 PTY LTD <TANGO88 A/C>	9,000,000	8.74
M & K KORKIDAS PTY LTD <M & K KORKIDAS PTY LTD A/C>	5,561,774	5.40
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,000,000	3.89
BENNETT & BENNETT PTY LTD	3,516,667	3.42
10 BOLIVIANOS PTY LTD	3,515,673	3.42
PT SENADA NUSANTARA	3,407,854	3.31
MR SAMUEL GEORGE COWLISHAW	3,347,575	3.25
MR ZANE ROBERT LEWIS <RLZ A/C>	3,333,333	3.24
MR THOMAS SOULSBY	3,333,333	3.24
MS SAW HWA TEH	3,271,540	3.18
CRANLEY CONSULTING PTY LTD <CRANLEY CONSULTING A/C>	2,555,890	2.48
MR CHRISTOPHER BASIL NEWTON	1,666,667	1.62
MR DAMIEN SERVANT	1,666,667	1.62
MR GREG NICHOLAS POLAK	1,650,167	1.60
SEISTEND PTY LTD	1,563,142	1.52
SUPER MSJ PTY LTD <MSJ SUPER FUND A/C>	1,400,000	1.36
MR MATTHEW LLOYD GRAY + MRS GILLIAN ALEXANDER GRAY <MG&E GRAY FAMILY S/F A/C>	1,250,000	1.21
KKSH HOLDINGS LTD	1,022,356	0.50
Total	85,722,689	83.29%

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION AS AT 29 MARCH 2023

TWENTY LARGEST HOLDERS OF LIOOA QUOTED OPTIONS

Registered Holder	Number of Shares	Percentage of Total
10 BOLIVIANOS PTY LTD	15,808,157	21.08
AREEN INVESTMENTS PTE LTD	14,375,000	19.17
TANGO88 PTY LTD <TANGO88 A/C>	8,216,222	10.95
PT PARAMA MUSTIKA INDONESIA	2,500,000	3.33
GOFFACAN PTY LTD <KMM FAMILY A/C>	2,300,000	3.07
RISCO ENERGY INVESTMENTS (SEA) LIMITED <RISCO ENERGY INVESTMENTS A/C>	2,031,250	2.71
MR BENJAMIN NORVAL	1,930,469	2.57
PT SENADA NUSANTARA	1,687,500	2.25
MR JOSHUA PHILIP PURTON	785,714	1.05
MRS DOLLY KADIAN	700,000	0.93
MR THOMAS SOULSBY	625,000	0.83
TROCA ENTERPRISES PTY LTD <COULSON SUPER A/C>	625,000	0.83
MR JOHN ALEXANDER YOUNG + MRS CHERYL KAYE YOUNG <FOREVER YOUNG FAMILY A/C>	625,000	0.83
YUNKI PTY LIMITED <THE GRAY SUPERFUND A/C>	556,250	0.74
123 HOME LOANS PTY LTD	500,000	0.67
MR MD AKRAM UDDIN	500,000	0.67
MR GREG NICHOLAS POLAK	468,750	0.63
DAVSAM PTY LTD <ROSEMAN RETIREMENT FUND A/C>	421,875	0.56
MR RYAN TRAVIS SIMPSON	393,750	0.53
MRS PERIBEN KISHAN VACHHANI	377,938	0.50
Total	55,427,875	73.90%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
30/03/2022	Areen Investments Pte Ltd and the Areen parties	74,257,993
21/12/2018	Risco Energy Unconventional Pte Ltd	54,886,009

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 INFORMATION AS AT 29 MARCH 2023

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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