LION ENERGY LIMITED
ACN 000 753 640

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at Suite 7/ 295 Rokeby Road Subiaco WA 6008 on 7 November 2018 at 10:00am (WST).

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9211 1500

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRANSACTION IS NOT FAIR BUT REASONABLE AND IN THE BEST INTEREST OF SHAREHOLDERS

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

LION ENERGY LIMITED

ACN 000 753 640

NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of Shareholders of Lion Energy Limited (**Company**) will be held at Suite 7/ 295 Rokeby Road Subiaco WA 6008 on 7 November 2018 at 10:00am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 7 November 2018 at 10:00am (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

AGENDA

1. Resolution 1 – Ratification of Tranche 1 Placement Shares

To consider, and if thought fit, to pass with or without amendment, each as a **separate ordinary resolution** the following:

"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of:

(a) 17,869,554 Shares at an issue price of $0.035 each under Listing Rule 7.1; and

(b) 6,373,303 Shares at an issue price of $0.035 each under Listing Rule 7.1A,

*(together, **Tranche 1 Placement Shares**),*

each on the terms and conditions in the Explanatory Memorandum".

Voting Exclusion

The Company will disregard any votes cast in favour of each Resolution by or on behalf of a person who participated in each issue and their respective associates.

However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Resolution 2 – Approval for acquisition of Relevant Interest in Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the Conditional Resolutions being passed and pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the acquisition by Simco and its associates of a Relevant Interest in up to 90,249,643 Shares on conversion of the Simco Convertible Loan, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by Simco and its associates.

However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Resolution 3 – Approval to issue Risco Shares pursuant to Risco Convertible Loan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the Conditional Resolutions being passed and pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders authorise the Risco Convertible Loan to be convertible into 37,714,286 Shares and that such Shares be issued to Risco (or its nominees) on the terms and conditions in the Explanatory Memorandum".

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of Risco (and its nominees), or any of its associates.

However, the Company will not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Approval to issue Convertible Loan Shares to KL Trio

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders authorise the KL Trio Convertible Loan to be convertible into 26,314,286 Shares and that such Shares be issued to KL Trio (or its nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of KL Trio and its nominees, being:

(a) a person who is expected to participate in, or will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities); or

(b) any associates of those persons.

The Company will not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD

Arron Canicais
Company Secretary
Lion Energy Limited
Dated: 5 October 2018

LION ENERGY LIMITED

ACN 000 753 640

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 7/ 295 Rokeby Road, Subiaco WA 6008 on 7 November 2018, at 10:00am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1	Introduction
Section 2	Action to be taken by Shareholders
Section 3	Conditional Resolutions
Section 4	Background to the Transaction
Section 5	Material Terms of Convertible Loans
Section 6	Independent Expert Report
Section 7	Resolution 1 – Ratification of Tranche 1 Placement Shares
Section 8	Resolution 2 – Approval for acquisition of Relevant Interest in Shares
Section 9	Resolution 3 – Approval to issue Risco Shares pursuant to Risco Convertible Loan
Section 10	Resolution 4 – Approval to issue Convertible Loan Shares to KL Trio
Schedule 1	Definitions
Schedule 2	Indicative Capital Structure
Schedule 3	Independent Expert's Report

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.2 Proxies

(a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company's share registry in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

(i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;

(ii) a proxy need not be a member of the Company; and

(iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

(b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

(i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

(ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

(iii) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

(iv) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(c) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

(i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

(ii) the appointed proxy is not the chair of the meeting;

(iii) at the meeting, a poll is duly demanded on the resolution; and

(iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

3. Conditional Resolutions

The Conditional Resolutions (Resolutions 2 and 3) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Conditional Resolutions are not approved at the Meeting, none of the Conditional Resolutions will take effect and the Risco Convertible Loan and the Simco Convertible Loan will not be converted and shall be repaid in accordance with the terms set out in Section 5.

4. Background to the Transaction

4.1 Placement

On 8 June 2018, the Company announced that it had received commitments from sophisticated investors to raise a total of $3.09 million via a two-tranche placement of Shares at $0.035 per share (**Placement**).

The Placement comprises:

(a) (**Tranche 1**) The issue of 24,242,857 Shares to raise a total of $848,500 (before costs) (**Tranche 1 Placement Shares**); and

(b) (**Tranche 2**) The issue of a total of 64,028,572 Shares to Risco and KL Trio via the conversion of two convertible note agreements to raise a total of $2,241,000 (before costs).

The Company intends to apply the funds raised from the Placement be used to secure the highly prospective East Seram PSC, the extension and development of the Seram (Non Bula) PSC and for working capital.

The Company completed the first tranche of the placement on 8 June 2018, issuing the Tranche 1 Placement Shares pursuant to its issuance capacity under Listing Rules 7.1 and 7.1A. The Company seeks Shareholder approval to ratify the issue of the Tranche 1 Placement Shares, the subject of Resolution 1.

4.2 Convertible Loans

The Company has entered into two convertible note agreements with both Risco and KL Trio (**Convertible Loans**) pursuant to which the Company raised a total of $2,241,000 and will issue on conversion:

(a) 37,714,286 Shares (**Risco Shares**) to its substantial shareholder, Risco, in respect of $1,320,000 (**Risco Convertible Loan**); and

(b) 26,314,286 Shares to KL Trio in respect of $921,000 (**KL Trio Convertible Loan**),

at the conversion price of $0.035 per share (**Tranche 2 Placement Shares**). The conversion of the Risco Convertible Loan and KL Trio Convertible Loan is conditional on the Company obtaining Shareholder approval of Resolutions 3 and 4. The material terms of the Convertible Loans are summarised in Section 4.

As at the date of this Notice, the Convertible Loans have not been converted as the conversion of each Convertible Note is subject to Shareholder approval. It is understood that KL Trio will convert the KL Trio Convertible Loans following the Meeting (subject to Shareholder approval) and that Risco will convert the Risco Convertible Loan subject to Shareholder approval of the Conditional Resolutions. The conversion of the Convertible Loans is anticipated to occur within 5 Business Days of receiving Risco and KL Trio's election to convert which will complete the Tranche 2 Placement.

It should be noted that Resolutions 2 and 3 are mutually exclusive and conditional on Shareholders approving both Resolutions (**Conditional Resolutions**). Although it is not a term of either the Risco Convertible Loan or the Simco Convertible Loan that Resolutions 2 and 3 be Conditional Resolutions, it is understood that it is Risco's intention not to convert the Risco Convertible Loan if Shareholders do not approve Simco's acquisition of a Relevant Interest (as set out in Resolution 2). In this instance, if Shareholders do not approve both Conditional Resolutions, the Risco Convertible Loan will not be converted into Shares and the Company will be required to pay back the Risco loan in full, with an interest of 10%.

For the avoidance of doubt, if Shareholder approval is not received for the Conditional Resolutions, this will not have any effect on the conversion of the KL Trio Convertible Loan, provided that Shareholders approve Resolution 4.

For further detail on the terms of the Convertible Loans, refer to Section 5.

4.3 Approval for Simco and associates to acquire Relevant Interest in Company

(a) Simco Convertible Loan

In parallel with the Risco Convertible Loan, Risco entered into a separate convertible note agreement with Simco (formerly known as Longueville Holdings Ltd) (**Simco Convertible Loan**) pursuant to which Simco agreed to loan Risco $1.32 million at a conversion ratio permitting Simco to hold a 41.71% interest in Risco following conversion. Accordingly, Simco will hold a Relevant Interest (and voting power) of over 20% in Risco following conversion of the Simco Convertible Loan and the issue of the Tranche 2 Placement Shares.

(b) **Risco Relevant Interest in the Company**

The table below shows the Relevant Interest of Risco prior to, and following completion of, the Placement.

	Shares on issue	Risco Shareholding	Relevant Interest and Voting Power (%)
Prior to Placement	113,438,532	52,535,357	46.31
As at date of Notice	143,373,218	52,535,357	36.64
Post-Placement	207,401,790	90,249,643	43.51

Compared to the pre-Placement voting power of Risco, its holding will decrease by 2.80% following completion of the Placement.

(c) **Simco Relevant Interest**

In accordance with section 608(3)(a) of the Corporations Act, Simco is deemed to have the Relevant Interest of 43.51% in the Company's voting shares by virtue of its 41.71% holding (and voting power) in Risco.

5. Material Terms of Convertible Loans

The key terms of the Convertible Loans and the Simco Convertible Loan are set out in the table below.

	Risco Convertible Loan	Simco Convertible Loan	KL Trio Convertible Loan
Principal Amount	$1,320,000	$1,320,000	$921,000
Issue Date	4 June 2018	8 June 2018	6 June 2018
Repayment Date	The borrower must repay the Principal Amount and the Repayment Premium on the date that is six months after the first advance is made.		
Repayment Premium	$132,000, being 10% of the face value.	$132,000, being 10% of the face value.	$92,100, being 10% of the face value.
Event of Default	Events of default include, but are not limited to: defaults in payment, untrue or misleading representations or warranties in any material respect, or the convertible note agreement becomes void.		
Consequence of Event of Default	The noteholder may cancel the loan facility; make the outstanding principal and any unpaid accrued interest or fees payable on demand or immediately due for payment.		

	Risco Convertible Loan	Simco Convertible Loan	KL Trio Convertible Loan
Condition Precedent to Conversion	Obtain Listing Rule 10.11 Shareholder approval Company must be able to comply with 708A(5)(e) requirements of the Corporations Act.	Obtain item 7, section 611 Shareholder approval under the Corporations Act	Obtain Listing Rule 7.1 Shareholder approval Company must be able to comply with 708A(5)(e) requirements of the Corporations Act.
Conversion	Company must issue the conversion shares within 5 Business Days of receiving a conversion notice from Risco	Risco must issue the conversion shares within 5 days of the Company obtaining shareholder approval for Resolution 2.	The Company must issue the conversion shares within 5 Business Days of receiving a conversion notice from KL Trio.
Conversion Formula	CS = A/B where: CS = the number of conversion shares A = outstanding principal amount B = conversion price	41.71% (Outstanding Principal Amount)/ Principal Amount	CS = A/B where: CS = the number of conversion shares A = outstanding principal amount B = conversion price
Conversion Price	$0.035		

6. Independent Expert Report

The Company has engaged Stantons International Securities Pty Ltd (**Independent Expert**) to prepare an independent expert report to provide an opinion as to whether or not Simco's acquisition of the Relevant Interest is fair and reasonable to the un-associated Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendation of the ASIC Regulatory Guide 74. Simco will be deemed to acquire a Relevant Interest in more than 20% of the Company if Resolution 2 is approved.

The Independent Expert assessed Simco's acquisition of the Relevant Interest and concluded that the transaction is not fair but reasonable.

The Directors recommend that you read the Independent Expert's Report in full, a copy of which is in Schedule 3.

6.1 Basis of the Independent Expert Report

Below is a summary of some of the advantages and disadvantages of Simco acquiring the Relevant Interest in the Company. Please refer to the Independent Expert Report at Schedule 3 for the advantages and disadvantages in full.

(a) **Advantages**

(i) **Lack of funding**

Prior to the Placement, the Company was cash poor and had insufficient funds to meet existing liabilities and meet ongoing exploration costs. Without receiving urgent funding, the Company was at risk of entering into administration or would have had to materially decrease exploration and administration expenditure in the near future.

(ii) **Debt repayment**

If Shareholders do not approve the conversion of the Convertible Loans, the Company will need to repay the Convertible Loanholders in cash within six months of the first draw-down and pay interest at 10% per annum. As at the date of this Notice, the Company has insufficient funds to repay the Convertible Loans without undertaking a heavily discounted capital raise.

(iii) **No commission on Convertible Loans**

There is no commission payable on the Convertible Loans. If the Company were to undertake a capital raise by other methods it would be subject to corporate adviser fees varying between 5-7% of the amount raised. The conversion of the Convertible Loans is interest free (however repayment of the Convertible Loans is subject to interest of 10% per annum). This 10% interest rate is at the lower end for junior exploration companies which generally attract interest rates between 10-20% to secure funding.

(iv) **Elimination of debt**

The Company's debt of A$2,241,000 as at 30 June 2018 can be eliminated from the Company's statement of financial position without any cash outlay.

(b) **Disadvantages**

(i) **Dilution of Shareholders**

As at the date of this Notice, Shareholders hold 63.36% of the issued capital in the Company. Subject to Resolutions 2 to 4 being approved, Shareholders will be diluted by 19.56% and will hold 43.80% of the issued capital in the Company post-conversion of the Convertible Loans.

(ii) **Conversion price of Convertible Loans**

The Convertible Loans have a conversion price of $0.035 which may be less than the market value of Shares at the conversion date. As at the date of this Notice, the Company's share price is trading between $0.03 and $0.04, however this price may increase due to the newly obtained East Seram PSC and the future prospectivity of the Company's projects.

(c) **Other Factors**

(i) **Conversion price of Convertible Loans equal to Placement issue price**

The conversion price of $0.035 for the Convertible Loans is equal to the issue price per Share offered under the Placement. This discount is consistent with the Share trading price between May and June 2018 of $0.035 and $0.037.

(ii) **Avoidance of Takeover Bid**

Approval of Resolution 2 enables Simco to acquire the Relevant Interest in the Company without making a formal takeover bid for the Company. Further, the conversion of the Risco Convertible Loans and Risco's subsequent holding in the Company may deter potential bidders from making a takeover for the Company (in full or in part).

7. Resolution 1 – Ratification of Tranche 1 Placement Shares

7.1 General

Resolution 1 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of 24,242,857 Shares which the Company issued within the last 12 months without obtaining prior shareholder approval (**Tranche 1 Placement Shares**).

Each of the resolutions which form part of Resolution 1 is a separate ordinary resolution. The Chairman will cast all available proxies in favour of Resolution 1.

The Board unanimously recommends that Shareholders vote in favour of each of the resolutions which form part of Resolution 1.

7.2 Listing Rules 7.1 and 7.1A

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval at its annual general meeting to allow it to issue Equity Securities comprising up to 10% of its issued capital. The Company obtained this approval at its annual general meeting held on 30 May 2017.

7.3 Listing Rule 7.4

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The Tranche 1 Placement Shares were issued within the Company's 15% annual limit permitted under Listing Rule 7.1 and within the Company's additional 10% annual limit permitted under Listing Rule 7.1A and did not require obtaining prior Shareholder approval.

The effect of Shareholders passing each of the resolutions which form part of Resolution 1 will be to allow the Company to issue securities in the future up to its 15% annual placement capacity as set out in Listing Rule 7.1 and its additional 10% placement capacity as set out in Listing Rule 7.1A, without obtaining prior Shareholder approval.

7.4 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the Tranche 1 Placement Shares:

(a) 24,242,857 Shares were issued on 8 June 2018 (**Tranche 1 Placement Shares**) with:

   (i) 17,869,554 Shares issued under Listing Rule 7.1; and;

   (ii) 6,373,303 Shares issued under Listing Rule 7.1A;

(b) the Tranche 1 Placement Shares were issued at an issue price of $0.035 per share;

(c) the Tranche 1 Placement Shares will rank equally with the existing Shares on issue;

(d) the Tranche 1 Placement Shares were issued to unrelated sophisticated and professional investors;

(e) the issue of the Tranche 1 Placement Shares raised approximately $848,500 (before costs) and the Company intends to apply these funds to secure the highly prospective East Seram PSC, the extension and development of the Seram (Non Bula) PSC and for working capital; and

(f) a voting exclusion statement is included in the Notice for this Resolution.

8. Resolution 2 – Approval for Simco to acquire Relevant Interest in Shares

8.1 General

On conversion of the Simco Convertible Loan, Simco will acquire a 41.71% holding in Risco and subsequently, will be deemed to also acquire the Relevant Interest of Risco in the Company. Resolution 2 seeks Shareholder approval for Simco to acquire this Relevant Interest in Shares.

Mr Kenneth J Sauer is the sole shareholder and founder of Simco, an entity domiciled in the Marshall Islands. Simco is a private diversified commodity investment company focusing in the Asian region. Simco is a shareholder in a few of Risco group's investment companies, for which Mr Sauer leads all commercial oil and gas infrastructure investments across Asia. With a strong energy background both globally and locally, Mr Sauer has a long history of commodity related deal making in the region. Prior to founding Simco, Mr Sauer worked at Vitol, the world's largest independent physical commodity trading company.

8.2 Section 611 of the Corporations Act

Section 606 of the Corporations Act contains a prohibition on a person acquiring a Relevant Interest in issued voting shares in a listed company through a transaction which results in the person's voting power in the Company increasing from below 20% to more than 20%, or from a starting point of more than 20% to a higher percentage.

However, an acquisition is not prohibited if it has been approved by a resolution of the listed entity under section 611 item 7 of the Corporations Act.

A "Relevant Interest" arises if (among other things) the person has the ability to exercise, or control the exercise of, a right to vote attached to shares.

For the purposes of Resolution 2 a Relevant Interest can also arise pursuant to section 608(3) of the Corporations Act where a person has the relevant interest in any securities of an entity in which the person's voting power is above 20%.

As demonstrated in the table in Section 3.2(b), Risco will hold a Relevant Interest of 43.51% on conversion of the Risco Convertible Loan and after the issue of the Tranche 2 Placement Shares. Simco will also acquire a Relevant Interest of 43.51% in Shares by virtue of its Relevant Interest (and voting power) of 41.71% in Risco. Accordingly, the Company is required to seek Shareholder approval pursuant to item 7 of section 611 of the Corporations Act.

8.3 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

Specific information is required to be provided to Shareholders under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 when seeking to obtain approval under item 7 of section 611 of the Corporations Act.

In particular, item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 require that the following information be provided to Shareholders:

(a) **The identity of the person proposing to make the acquisition and their associates**

Simco will have a relevant interest in the Shares issued following the conversion of the Simco Convertible Loan. By virtue of Simco acquiring a 41.71% interest (and voting power) in Risco, Simco will be deemed to hold a Relevant Interest of 90,249,643 Shares, being 43.51% of the Company. As outlined in Section 8.1 above, Mr Kenneth J Sauer is the sole shareholder of Simco, an entity domiciled in the Marshall Islands.

(b) **The maximum extent of the increase in that person's voting power in the company that would result from the acquisition**

The maximum extent of the increase of Simco's and its associates' voting power in the Company that would result from the acquisition is 0% to 43.51%.

(c) **The voting power that person would have as a result of the acquisition**

Simco and its associates will be deemed to have a voting power of 43.51% as a result of the conversion of the Simco Convertible Loan.

(d) **The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition**

Risco's voting power will not increase and will remain at 43.51% as a result of the acquisition.

The maximum extent of the increase of Mr Kenneth J Sauer's voting power in the Company, as the sole shareholder of Simco, that would result from the acquisition is 0% to 43.51%.

(e) **The voting power that each of that person's associates would have as a result of the acquisition**

The maximum voting power of Simco, Risco and Mr Sauer is 43.51%.

(f) **An explanation of the reasons for the proposed acquisition**

The Company notes that, in accordance with item 7, section 611 of the Corporations Act, it is seeking Shareholder approval for Simco to acquire a Relevant Interest in the Company because Simco is exercising its conversion right with Risco under the Simco Convertible Loan. Refer to Section 3 for further detail on the Simco Convertible Loan.

Following the conversion of the Simco Convertible Loan and Risco issuing the conversion shares to Simco, Simco will be deemed by the statutory operation of section 606(1) of the Corporations Act to have acquired a Relevant Interest in the Company. For the avoidance of doubt, the Simco Convertible Loan is an independent transaction between Risco and Simco and the Company does not have the ability to control or influence the ownership structure of Risco. The Company was however supportive of the Simco-Risco transaction as it meant that the Company received $1,320,000 in funding.

The Company notes that by reason of the technical operation of the provisions of section 606(1) of the Corporations Act that the Company seeks Shareholder approval for Simco's acquisition of the Relevant Interest. In addition, the Company is seeking shareholder approval so that $1,320,000 in funding received by the Company from Risco via Simco will have the ability to convert from a loan liability to Shares in the Company.

(g) **When the proposed acquisition is to occur**

Subject to Shareholder approval of Resolution 2, the Company understands that Risco will issue the conversion shares to Simco under the Simco Convertible Loan, and Simco will be deemed to have acquired a Relevant Interest in the Company, within 5 Business Days of the Meeting.

(h) **The material terms of the proposed acquisition**

Refer to Section 5 for the terms of the Simco Convertible Loan.

(i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their Associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition**

There are no other contracts or proposed contracts between the Company and Risco or Simco which are conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.

(j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition**

The Company understands that Simco does not have a present intention to:

(i) change the business of the Company;

(ii) inject further capital into the Company;

(iii) change the Board of the Company;

(iv) make changes in relation to the future employment of employees of the Company; or

(v) transfer, or redeploy, any assets of the Company.

(k) **Any intention of the acquirer to significantly change the financial or dividend policies of the entity**

The Company understands that Simco does not have a present intention to change the financial or dividend policies of the entity.

(l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above**

Nil.

(m) **Details about any person who it is intended will become a director if members approve the acquisition**

Nil.

8.4 Board recommendation

The Board (other than Mr Thomas Soulsby, Mr Christopher Newton and Mr Damien Servant, who are Risco's nominees on the Board) recommends that Shareholders vote in favour of Resolution 2 on the basis of the advantages outweigh the disadvantages outlined in Section 6.1(a) and the IER at Schedule 3.

Resolution 2 is an ordinary Resolution.

The Chair intends to exercise all available proxies in favour of Resolution 2.

9. Resolution 3 – Approval to issue Risco Shares pursuant to Risco Convertible Loan

9.1 General

Resolution 3 seeks Shareholder approval for the issue of 37,714,286 Shares to Risco at a deemed conversion price of $0.035 per share pursuant to the terms of the Risco Convertible Loan.

9.2 Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the issue of the Risco Shares involves the issue of Shares to a substantial holder of the Company with a holding greater than 30%, Shareholder approval pursuant to Listing Rule 10.11 is being sought.

Approval pursuant to Listing Rule 7.1 is not required for the issue of the Risco Shares as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Risco Shares to Risco (or its nominee) will not be included in the use of the Company's 15% placement capacity pursuant to Listing Rule 7.1.

As Risco is not a 'related party' (as that term is defined in the Corporations Act), approval pursuant to Chapter 2E of the Corporations Act is not required.

9.3 Specific information required by Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the issue of the Risco Shares:

(a) the Shares will be issued to Risco (or its nominee);

(b) the maximum number of Shares to be issued in respect of the conversion is 37,714,286 Shares;

(c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(d) as the issue of the Risco Shares involves the issue of Shares to a substantial holder of the Company with a holding greater than 30%, Shareholder approval pursuant to Listing Rule 10.11 is being sought;

(e) the Shares will be issued upon conversion of the Risco Convertible Loan for nil cash consideration at a deemed issue price of $0.035 each, and accordingly no funds will be raised from the issue itself (though $1.32 million was received pursuant to the Risco Convertible Loan);

(f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(g) a voting exclusion statement; and

(h) the funds will be applied towards securing the highly prospective East Seram PSC, the extension and development of the Seram (Non Bula) PSC and to working capital. No funds will be raised from the issue of the Risco Shares.

9.4 Board recommendation

The Board (other than Mr Thomas Soulsby, Mr Christopher Newton and Mr Damien Servant, who are Risco's nominees on the Board) recommends that Shareholders vote in favour of Resolution 3 on the basis of the advantages outweigh the disadvantages outlined in Section 6.1(a) and in the IER at Schedule 3.

Resolution 3 is an ordinary Resolution.

The Chair intends to exercise all available proxies in favour of Resolution 3.

10. Resolution 4 – Approval to issue Convertible Loan Shares to KL Trio

10.1 General

Resolution 4 seeks Shareholder approval for the issue of 26,314,286 Shares at a deemed conversion price of $0.035 per share.

The effect of this Resolution will be to allow the Company to issue the Shares upon conversion of the KL Trio Convertible Loan during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Chairman will cast all available proxies in favour of Resolution 4.

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is provided in Section 7.2.

10.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the conversion of the KL Trio Convertible Loan:

(a) the maximum number of Shares to be issued in respect of the conversion is 26,314,286 Shares;

(b) the Shares will be issued no later than 3 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(c) the Shares will be issued upon conversion of the KL Trio Convertible Loan for nil cash consideration at a deemed issue price of $0.035 each, and accordingly no funds will be raised;

(d) the Shares will be issued to KL Trio (or its nominee);

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(f) the funds raised from the KL Trio Convertible Loan will be applied towards securing the highly prospective East Seram PSC, the extension and development of the Seram (Non Bula) PSC and to working capital. No funds will be raised from the issue of Shares pursuant to the conversion; and

(g) a voting exclusion statement.

10.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 4 for on the basis of the advantages outweigh the disadvantages outlined in Section 6.1(a) and in the IER at Schedule 3.

Resolution 4 is an ordinary Resolution.

The Chair intends to exercise all available proxies in favour of Resolution 4.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

$ means Australian Dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors of the Company.

Business Day means a day that is not a Saturday, Sunday or public holiday in Western Australia.

Chair means the person appointed to chair the Meeting of the Company convened by the Notice.

Closely Related Party means:

(a) a spouse or child of the member; or

(b) has the meaning given in section 9 of the Corporations Act.

Company means Lion Energy Limited (ACN 000 753 640).

Conditional Resolutions means Resolutions 2 and 3 (inclusive).

Constitution means the constitution of the Company as at the date of the Meeting.

Convertible Loans has the meaning ascribed in Section 4.1.

Convertible Loanholders means Risco and KL Trio.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Equity Security has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Independent Expert means Stantons International Securities Pty Ltd ACN 128 908 289.

Independent Expert Report means the report prepared by the Independent Expert at Schedule 3.

KL Trio means KL Trio Pte Ltd, a company incorporated in Singapore with company registration number 201540795E.

KL Trio Convertible Loan has the meaning ascribed in Section 4.1.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of general meeting.

Placement has the meaning ascribed in Section 4.1.

Proxy Form means the proxy form attached to the Notice.

Relevant Interest has the meaning given in section 608 of the Corporations Act.

Resolution means a resolution referred to in the Notice.

Risco means Risco Energy Unconventional Pte Ltd, a company incorporated in Singapore with company registration number 201321038N.

Risco Convertible Loan has the meaning ascribed in Section 4.1.

Risco Shares means the 37,714,286 Shares to be issued to Risco pursuant to the Risco Convertible Loan.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means all Equity Securities of the Company, including Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Simco means Simco Holdings Ltd, a company incorporated in Marshall Islands with company registration number 85853.

Simco Convertible Loan has the meaning ascribed in Section 4.3(a).

Tranche 1 Placement Shares has the meaning ascribed in Section 4.1.

Tranche 2 Placement Shares has the meaning ascribed in Section 4.1.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Indicative Capital Structure

	Shares
Currently on issue as at date of Notice	143,373,218
Shares issued under Risco Convertible Loan[1]	37,714,286
Shares issued under KL Trio Convertible Loan[2]	26,314,286
Total Shares on completion of Placement[3]	207,401,790

Notes

1. The issue of the Risco Shares is subject to Shareholder approval of Resolution 3.
2. The issue of the Shares under the KL Trio Convertible Loan is subject to Shareholder approval of Resolution 4.
3. This total assumes that no performance rights have vested and that no options are issued and exercised before the Meeting.

Schedule 3 – Independent Expert's Report

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4 October 2018

The Directors
Lion Energy Limited
Unit 7, 295 Rokeby Road
SUBIACO WA 6008

Summary of Opinion

	Low	Preferred	High
The fair value of a Lion Share on a control basis prior to the Proposed Transactions (US cents)	9.60	16.84	28.30
Fair value of a Lion Share on a minority basis post the Proposed Transactions (US cents)	5.93	9.95	16.27

As the fair value of a minority interest post the Proposed Transactions is less than the fair value of a share on a control basis pre the Proposed Transactions as noted above, we have concluded that the transaction to allow a new investor (Simco) to acquire a 41.7% interest in Risco and thus a relevant interest in 90,249,643 shares held by Risco in Lion the subject of Resolution 2 outlined in the Notice of General Meeting, is <u>not fair but we consider, taking into account the factors in Section 9, the Proposed Transactions to be reasonable</u> to the Shareholders of the Company, (not associated with Risco and Simco) as at the date of this report.

Dear Sirs

Re: LION ENERGY LIMITED (ABN 51 000 753 640) ("LION" OR "THE COMPANY") ON THE PROPOSAL AS OUTLINED IN RESOLUTIONS 2, TO ALLOW SIMCO HOLDINGS LTD (FORMALLY CALLED LONGUEVILLE HOLDINGS LTD) ("SIMCO") TO EXERCISE A CONVERTIBLE NOTE IN RISCO UNCONVENTIONAL ENERGY PTE LTD ("RISCO"), SO THAT SIMCO ACQUIRES A RELEVANT INTEREST IN 90,249,643 SHARES IN LION TO BE HELD BY RISCO

1. Introduction

1.1 We have been requested by the Directors of Lion to prepare an Independent Expert's Report to determine the fairness and reasonableness as noted in Resolution 2 in the Notice of Meeting ("Notice") and the accompanying Explanatory Memorandum to Shareholders ("EMS") planned to be forwarded to shareholders of Lion in September 2018.

1.2 Risco is a substantial shareholder of Lion and would increase its shareholding interest in Lion from around 36.64% (after the issue of the 24,142,857 shares in June 2018 as noted below) to approximately 43.51% after conversion of Convertible Notes issued in June 2018 to Risco as part of a $3,086,000 capital raising by Lion.

Convertible Notes to the value of $1,320,000 were issued to Risco, convertible at 3.5 cents each and if converted, 37,714,286 new shares in Lion would be issued to Risco. Further Convertible Notes were issued to KL Trio Pte Ltd ("KL Trio") to the extent of $921,000 (that are also to be converted into 26,314,286 shares in Lion). In addition, shares (24,142,857) were issued to various investors in June 2018 to investors to raise $845,000 (approximately US$641,781 as at 30 June 2018), so that in total the sum of $3,089,500 has been or will be raised by Lion (the "Capital Raising"). The amount raised in US dollars from the issue of all Convertible Notes approximated $1,656,323 (as at 30 June 2018) and the total Capital Raising in US dollars approximated US$2,298,104 (as at 30 June 2018).

1.3 In addition, it is planned that Risco will issue shares to another investor (Simco) other than its existing shareholder and thus the new Risco shareholder will be deemed to be obtaining a substantial shareholding in Lion on conversion of the Convertible Note by Risco.

Simco has lent $1,320,000 to Risco (Simco Convertible Notes) on much the same terms as the Convertible Notes issued by Lion to Risco and it is planned that the Simco Convertible Notes will be converted to shares in Risco at 3.5 cents each (same conversion price of the Convertible Notes to be issued to Risco by Lion). The Simco Convertible Notes will convert to ordinary shares in Risco within five business days of Lion's shareholders approving the conversion of the Convertible Notes issued by Lion as noted above. The $1,320,000 lent to Risco in effect will be on-lent to Lion as the Convertible Notes of $1,320,000 to be issued by Lion to Risco.

Simco is a company controlled by an US investor, Kenneth J Sauer. Risco is currently controlled via companies controlled by Rizal Risjad. In effect, Simco, via being a significant shareholder in Risco will obtain a relevant interest in the 90,249,643 shares in Lion that will be held by Risco. Under the Corporations Act 2001, Simco will obtain a relevant interest in the shares owned by Risco in Lion post Risco exercising its convertible note (that is a relevant interest in 90,249,643 shares in Lion held by Risco).

1.4 The proposal whereby Simco may obtain a relevant interest in the up to 90,249,643 shares to be held by Risco on conversion of all Convertible Notes means that indirectly Section 606 of the Corporations Act is triggered as noted below. The approval resolution (Resolution 2) must be accompanied by an independent expert's report ("IER") and we have been requested to prepare the IER and state whether the proposal to allow a new investor, Simco in Risco and in effect obtaining a relevant interest in 90,249,643 shares to be held by Risco in Lion is fair and reasonable to the shareholders of Lion not associated with Risco and Simco.

1.5 Under Paragraph 606 of the Corporations Act 2001 ("TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.6 Risco is a related party of Lion under ASX Listing Rules in that Risco is a substantial shareholder in Lion. Risco's ordinary shareholding interest in Lion prior to the issue of 24,142,857 shares under the capital raising noted above approximated 43.91% and after the issue of 24,142,857 shares in June 2018, Risco's shareholding interest approximates 36.64%. It has been assumed that all Convertible Notes that have been issued to Risco and KL Trio will be converted to ordinary shares in Lion shortly after shareholders approve the conversions of the Convertible Notes to ordinary shares in Lion to occur. In such a basis, Risco's ordinary shareholding in Lion would increase from approximately 36.64% to approximately 43.51%, an increase of approximately 6.87% (but a reduction in percentage terms before the issue of 24,142,857 shares under the Capital Raising). Technically, we are not required to report on the issue of 37,714,286 shares on conversion of the $1,320,000 of Convertible Notes issued to Risco in June 2018 as part of the Capital Raising. It is noted that KL Trio's ordinary shareholding in Lion would increase from nil% to approximately 12.69%.

1.7 Technically, we are not required to form an opinion on the fairness and/or reasonableness of the issue of 37,714,286 shares to Risco and 26,314,286 ordinary shares to KL Trio by Lion (Resolutions 3 and 4 in the EMS). However, as part of arriving at an opinion on the fairness and reasonableness of allowing Simco obtaining a relevant interest in 90,249,643 shares in Lion to be held by Risco (on conversion of $1,320,000 of Convertible Notes issued to Risco), we have taken into account the proposed issue of ordinary shares to Risco and KL Trio on conversion of$1,320,000 and $920,000 of Convertible Notes issued to Risco and KL Trio in June 2018 as part of the Capital Raising.

However, in the event that KL Trio does not convert its proposed $921,000 of Convertible Notes to ordinary shares in Lion, Risco's ordinary shareholding in Lion would approximate 49.84% and Lion would owe KL Trio the sum of $921,000. Simco will still have a 41.7% shareholding interest in Risco and a relevant interest in the 90,249,643 shares to be held by Risco on Lion. We have also noted this in arriving at our conclusion on fairness and reasonableness in relation to Resolution 2.

The conversion of the Convertible Notes (by Risco and KL Trio) and the proposed change in shareholding of Risco are collectively known in this report as the Proposed Transactions.

1.8 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to allow Simco to obtain an indirect interest in Lion by obtaining a 41.7% shareholding interest in Risco and Simco obtaining a relevant interest in 90,249,643 shares in Lion held by Risco after conversion of the convertible notes-Resolution 2).

Therefore, an independent expert's report pursuant to the Section 611 (Item 7) of the TCA is required to report on the fairness and reasonableness of allowing a change in shareholding in Risco and Simco obtaining a relevant interest in 90,249,653 shares held by Risco in Lion as noted above pursuant to Resolution 2. As noted, we need to consider the issue of shares to Risco (and KL Trio) to arrive at our opinion on the proposal under Resolution 2.

1.9 To assist shareholders in making a decision on the Proposed Transactions that includes specifically the change of shareholding in Risco (Simco obtaining a relevant interest in 90,249,643 shares in Lion to be held by Risco on conversion of all Convertible Notes. Lion has requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal under Resolution 2 is fair and reasonable to the non-associated shareholders of Lion, (not associated with Risco and Simco).

We are not reporting on the fairness and reasonableness of the other resolutions referred to in the Notice and EMS but note the assumption that Risco will convert its $1,320,000 of Convertible Notes into 37,714,286 shares (so that Risco obtains an approximate 43.51% shareholding interest in Lion – owning 90,249,643 shares in Lion) and KL Trio will convert its $920,000 of Convertible Notes to 26,314,286 ordinary shares in Lion (Resolution 4).

1.10 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the Proposed Transactions
- Corporate history and nature of business of Lion
- Future direction of Lion
- Basis of valuation of Lion shares
- Value of consideration
- Premium for Control
- Consideration as to fairness
- Conclusion as to fairness
- Reasonableness of the Proposed Transactions
- Conclusions as to reasonableness

- Shareholder decisions
- Sources of information
- Appendices A and B and our Financial Services Guide

1.11 In determining the fairness and reasonableness of the transactions pursuant to Resolution 2, we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above - mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transactions proceed compared with if they do not.

1.12 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

(a) the fair market value of a Lion share, pre-transaction on a control basis; versus
(b) the fair market value of a Lion share, post-transaction on a minority basis, taking into account the Proposed Transactions and the associated dilution resulting from the issue of new ordinary shares under the Proposed Transactions.

1.13

	Low	Preferred	High
The fair value of a Lion Share on a control basis prior to the Proposed Transactions (US cents)	9.60	16.84	28.30
Fair value of a Lion share on a minority basis post the Proposed Transactions (US cents)	5.93	9.95	16.27

As the fair value of a minority interest post the Proposed Transactions is less than the fair value of a share on a control basis pre the Proposed Transactions as noted above, in our opinion, taking into account the factors noted in this report, including the issue of 37,714,286 ordinary shares to Lion on conversion of $1,320,000 of Convertible Notes issued to Risco (as part of a Capital Raising as noted above), allowing a new investor, Simco to obtain a 41.7% interest in Risco and a relevant interest in 90,249,643 shares to be held by Risco in Lion, the subject of Resolution 2 outlined in the Notice is <u>not fair but taking into accounts the factors noted in Section 9, we consider the Proposed Transactions to be reasonable</u> to the shareholders of the Company (not associated with Risco and Simco) as at the date of this report.

1.14 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report and the valuation report prepared by ResourceInvest attached as Appendix B to this report ("the ResourceInvest Valuation Report").

2. **Implications of the Proposals**

2.1 As at 30 September 2018, there are 143,373,218 fully paid ordinary fully paid shares on issue in Lion. The top 20 shareholders list as at 23 July 2018 discloses the following:

Shareholder	No. of fully paid shares	% of issued fully paid shares
Risco	52,535,357	36.64
PT Senada Nusant Aria/c	11,257,143	7.85
RF and YE Davies T/F The Davies Minyana SF	6,919,441	4.48
Tower Energy Indonesia Limited	6,307,797	4.40
W & N Morrison Investments Pty Ltd (The Morrison Family Account)	6,301,151	4.39
Transform Exploration Pty Ltd	5,857,143	4.09
	89,178,032	61.85

The top 20 shareholders as per the top 20 shareholders list at 23 July 2018 owned approximately 82.52% of the ordinary issued capital of the Company.

2.2 In addition, there are 6,250,000 Performance Rights in Lion, 3,125,000 (Tranche 1) and 3,125,000 Tranche 2 Performance Rights.

(Milestones): The Performance rights will have the following milestones attached to them:

a. Tranche 1 Performance rights will vest if the average monthly volume of shares traded on the ASX from 1 July 2018 to 31 December 2018 exceeds 1.25% of the total shares on issue as at 31 December 2018.

b. Tranche 2 Performance Rights will vest on the satisfactory achievement of Total Shareholder Return ("TSR"). The quantum of performance rights that vest will be calculated as follows:

i. TSR % < 35% = nil Performance Rights vest,

ii. TSR % > 35% and < 200% = Pro rata of total Performance rights,

iii. TSR % is defined as:

2.
3.

$$\left[\frac{\text{Finish Date Price} - \text{Start Date Price}}{\text{Start Date Price}} \right] \times 100$$

Whereby the Start Date Price is the 5-day VWAP of Lion's shares immediately before the Start Date and Finish Date Price is the 5-day VWAP of Lion's shares as of 31 December 2018, (each referred to as a Milestone).

(Expiry): A Performance Right will lapse upon the earlier to occur of:

a. The relevant Director ceasing to be a director, employee or consultant of the Company, in the case of an unvested performance Right only;

b. The Board deeming that a Performance Rights lapses due to fraud, dishonesty or other improper behaviour; and

c. 31 March 2019.

2.3 Based on the existing ordinary shares on issue in Lion as at 30 September 2018 (143,373,218 shares on issue), Lion would issue 37,714,286 ordinary shares to Risco on conversion of $1,320,000 of Convertible Notes and assuming KL Trio also converts its $921,000 of Convertible Notes to 26,314,286 ordinary shares in Lion), Risco's shareholding would increase from approximately 36.64% (52,535,357 ordinary shares) to approximately 43.51% (90,249,643 ordinary shares).

In the event that KL Trio does not convert its proposed $921,000 of Convertible Notes to ordinary shares in Lion, Risco's ordinary shareholding in Lion would approximate 49.84% and Lion would owe KL Trio the sum of $921,000. Simco would still have a relevant interest in 90,249,643 shares held by Risco in Lion. Lion would still owe KL Trio the sum of $921,000 (that approximates US$662,567 using a US/AUS exchange rate as at 14 September 2018 (approximately US$680,711 using 30 June 2018 exchange rate).

The Convertible Notes principal terms are:

- Interest free if the Convertible Notes are converted; otherwise interest is payable at 10% pa;
- Maturity date of 6 months from the first date of draw-down;
- Unsecured;
- Convertible subject to shareholder approval; and
- Convertible into ordinary shares at 3.5 cents each.

Simco would have a relevant interest in the 90,249,643 shares to be held by Risco in Lion following the issue of 37,714,286 shares and 26,314,286 shares to Risco and KL Trio respectively on conversion of all Convertible Notes and will still retain a relevant interest in 90,249,643 shares to be held by Risco in Lion even if KL Trio does not convert the Convertible Notes issued by Lion to KL Trio.

2.4 $3,089,500 of new cash funds are to be received from the Capital Raising and is made up of:

- $848,500 (US$641,781 as at 30 June 2018) from the issue of 24,242,857 shares (funds received and shares issued on 8 June 2018);
- $1,320,000 from the issue of Convertible Notes to Risco (proposed to be converted subject to shareholder approval); and
- $921,000 from the issue of Convertible Notes to Risco (proposed to be issued and converted subject to shareholder approval);

As noted above, the US dollar equivalent of the $1,320,000 and $920,000 of Convertible Notes issued totals approximately US$1,656,323 (as at 30 June 2018). The audit reviewed statement of financial position noted US$1,573,895 as a liability and US$88,878 as equity.

The new cash funds are to be applied to secure the East Seram PCS, the extension and development of the existing Seram (Non-Bula) PSC and general working capital. Further details on East Seram PSC and the Seram (Non-Bula) PSC are noted in the EMS attached to the Notice and in the ResourceInvest Valuation Report attached as Appendix B to this report (refer below).

2.5 The current Board of Directors is not expected to change in the near future as a result of the Proposed Transactions. The existing Directors are Russell Brimage, Zane Lewis, Tom Soulsby, Christopher Newton and Damien Servant. Messrs Soulsby, Newton and Servant are associated with Risco.

3. **Corporate History and Nature of Businesses**

Lion

3.1 Principal Activities and Significant Assets

3.1.1 The Company maintains a 2.5% working interest in the Seram Joint Venture (Seram Non - Bula PSC) that is producing oil out of Indonesia. 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 (51%). Other partners include KUFPEC (Indonesia) Limited (30%) and Gulf Petroleum Investment (16.5%). The block contains the Oseil oilfield and surrounding structures that produced at a rate of 2283 bopd during December 2017 (54 bopd net to Lion). Since initial field start-up in January 2003, the field has produced 16,748,315 barrels of crude oil at 2017 calendar year end. The joint venture has identified significant additional contingent oil resources in the Oseil area. In addition, the block contains the Lofin discovery which the joint venture appraised in 2014-15 with the highly successful Lofin-2 well. The 100% 2C contingent resource for Lofin is 2.02 tcf with 18.3 mmbbl condensate making it one of the largest onshore gas discoveries in Indonesia for many years. The PSC expires end October 2019 and the JV is working at all levels in an endeavour to secure an extension or renewal of the PSC over the area. An application for extension was formally re-submitted to the relevant Indonesian Government authorities during 2017. Work continues on development options for the large Lofin Gas Field, including a third party Feasibility Study carried out on behalf of the Seram JV. The final report was delivered in January 2018 and is still under review by the partners.

3.1.2 The Company has been in the businesses of oil and gas exploration and production over many years. Lion is listed on the ASX. For the six months ended 31 December 2017 and 2016, the Company has recorded consolidated operating losses before income tax of approximately US$10,135,616 and US$1,069,747 respectively on total sales revenue of approximately US$1,056,350 and US$1,167,421 respectively. For the half year ended 30 June 2018 the unaudited loss before tax was US$207,142 on gross revenues of US$549,508.

3.1.3 Via a series of transactions between 2012 and 2013, Lion took a 100% shareholding interest in KRX Energy Pte Ltd ("KRX").

- KRX is incorporated in Singapore with a focus on oil and gas exploration in South East Asia. On 20 June 2012, KRX through its wholly owned subsidiary, KRX Energy (SBA) Pte Ltd ("KRXE") executed a farm-in agreement ('Farm-In Agreement") with PT Prosys Oil & Gas International ("POGI") for the South Block "A" Production Sharing Contract in North Sumatra, Republic of Indonesia and on 19 October 2012 acquired a 35% non-operating participating interest (free of encumbrances and signature bonuses) in return for certain funding commitments in the forward work program approved by the South Block "A" joint venture, effective from 1 January 2011. Under the Farm-In Agreement, KRX will pay 49% of the gross cash call costs of US$8,000,000 made by the operator for the current and future work program, comprising 35% of KRX's contribution and 14% for POGI's contribution up to a maximum of US$3,920,000 after which expenditure by parties will be on an equity share basis. The South Block "A" Production Sharing Agreement was executed on 5 May 2009 between PT Realto Energi Nusantara Corelasi ('"RENCO"), POGI and Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("BPMIGAS") representing the Government of the Republic of Indonesia. RENCO with a 51% participating interest was the designated operator at the outset, however it subsequently transferred its interest in the contract and operatorship to RENCO Elang Energy Pte Ltd, a company incorporated in the Republic of Singapore and received approval of the transfer from BPMIGAS.

However, on 24 July 2018, the Company announced that it had sold its interest in South Block A to Blue Sky Resources Ltd for US$10 plus a contingent royalty of 0.8%of revenue derived from the SBA PCS but capped at US$4,500,000. Refer the ResourceInvest Valuation Report on the valuation of the contingent royalty.

- On 23 May 2012, KRX executed an area of mutual interest agreement (the AMI Agreement) with two Indonesian focussed parties to jointly evaluate for a period of 2 years (unless otherwise agreed), certain offshore areas of Java, Kalimantan and Sumatra ("AMI Areas") for the purposes of considering, if appropriate, the submission of one or more proposals to the Government of Indonesia through the Minister of Energy and Oil and Gas Resources to conduct joint studies and to ultimately acquire prospective acreage within the AMI Area. The parties have agreed that each of KRX would have a 35% participating interest in any application for acreage within the AMI Area. Tower Indonesia Shale Limited, a wholly owned subsidiary of KRX (and effectively Lion), holds the interest in the AMI.

- On 18 July 2018, the Lion Group signed the East Seram Gross Split PSC with the Indonesia Government.

  Extract from an announcement made by Lion to the ASX.
  "The award of the highly rated East Seram block is a significant and material acquisition for the company and forms a significant part of the revised strategy of the Company to reposition itself away from higher risk exploration and unconventional exposures to lower risk conventional oil and gas production and development, appraisal and step out exploration risk opportunities.

  The East Seram Block includes an extension of the Lofin gas discovery made within the Seram (Non Bula) PSC, in which Lion has a 2.5% participating interest. The Lofin gas discovery is a 2C contingent resource of 2.02 TCF and 18.3 mmbbl condensate (370mmboe), making the Seram (Non Bula) portion of the discovery one of the largest onshore gas discoveries in Indonesia for many ears, with Lion's net interest being 50 BCF of natural gas and approximately 450,000 bbl of associated condensate/light oil (9.25mmboe).

  The East Seram Block also includes the shallow offshore area immediately adjacent to the producing Bula oil field, which has produced 20 mmbl since its discovery in the 1890s. There are also a number of additional significant oil and gas prospects with compelling geological justification.

  The East Seram Block surrounds the Seram (Non Bula) Block and Bula Block producing PSCs." End of Extract

4. **Future Directions of Lion**

4.1 We have been advised by management of Lion that:

- There are no proposals currently contemplated either whereby Lion will acquire any properties or assets from Risco, KL Trio and Simco (however Lion will issue ordinary fully paid shares to Risco and KL Trio on conversion of all Convertible Notes) as outlined above or where Lion will transfer any of its property or assets to Risco, KL Trio or Simco;
- As noted in paragraph 2.5 above, the Board of Directors of Lion is not expected to change in the near future;
- The Company may raise further capital in 2018/19 if the need arises and subject to market conditions, however there are no definitive plans to raise further capital;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company will endeavour to enhance the value of its interests in the various PSC's.

5. **Basis of Valuation of Lion Shares**

5.1 Shares

5.1.1 In considering the proposal to issue ordinary shares to Risco (and KL Trio) on conversion of all Convertible Notes with a face value totalling $2,241,000, and thus allowing Simco to convert the Risco Convertible Note held by Simco in Risco so Simco may obtain a relevant interest in 90,249,643 shares in Lion to be held by Risco, we have sought to determine if the consideration payable by Risco to Lion is fair and reasonable to the existing non-associated shareholders of Lion (not associated with Risco and Simco).

5.1.2 The offer regarding the issue of up to 37,714,286 ordinary shares to Risco, that would, in effect allow Simco to obtain a relevant interest in 90,249,643 shares in Lion to be held by Risco on conversion of all Convertible Notes would be fair to the existing non-associated shareholders if the value of the ordinary shares in the Lion is less than the conversion price of the Convertible Notes being offered as conversion consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Lion shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a Lion share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Lion shares.

5.2 Capitalised maintainable earnings and discounted cash flows

5.2.1 Due to Lion's current operations, a lack of a reliable long-term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. Lion made a consolidated loss of US$10,135,616 and US$1,167,421 for the years ended 31 December 2017 and 2016 has consolidated accumulated losses of approximately US$49,597,717 as at 31 December 2017 (unaudited at 30 June 2018, approximately US$49,804,860).

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Lion could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Lion have formed the view that there are unlikely to be any takeover bids made for Lion in the immediate future. However, if the agreement to convert all Convertible Notes (subject to shareholder approval) Risco may initially control approximately 43.51% of the expanded ordinary fully paid issued capital of Lion (up from approximately 36.64% as at 23 August 2018).

5.4 Adjusted Net Asset Backing

5.4.1 We set out below, an audited reviewed consolidated balance sheet (consolidated statement of financial position) of Lion (Balance Sheet "A") as at 30 June 2018.

In addition, we disclose a pro-forma consolidated Balance Sheet "B" assuming the following:

- The conversion of AUS$1,320,000 and AUS$921,000 of Convertible Notes by Risco and KL Trio respectively (assumed to estimate US$1,656,323 as at 30 June 2018) to 37,714,286 ordinary shares to Risco and 26,315,286 ordinary shares to KL Trio; and
- The incurring of cash costs relating to the Convertible Note issues/conversion and Notice preparation approximating US$36,000 and expensing such costs.

Note- The above funds of approximately US$1,656,323 were received in June 2018 but we have eliminated them from the Balance Sheet A.

	Audited Reviewed 30 June 2018 Lion US$000 "A"	Unaudited Pro-forma 30 June 2018 Lion (including conversion) US$000 "B"
Current Assets		
Cash Assets	1,462	1,426
Trade and Other Receivables	922	922
Inventories	314	314
Total Current Assets	2,698	2,662
Non-Current Assets		
Plant and Equipment	6	6
Receivables	422	422
Capitalised Exploration Costs	928	928
Oil and Gas Properties	395	395
Total Non-Current Assets	1,751	1,751
Total Assets	4,449	4,413
Current Liabilities		
Trade and Other Payables	1,094	1,094
Convertible loans	1,574	-
Total Current Liabilities	2,668	1,094
Total Liabilities	2,668	1,094
Net Assets	1,781	3,319
Number of shares on issue	143,373,218	207,401,790
Net book asset value per share (US cents)	1.24	1.60
(AUS cents equivalent approximate)	1.68	2.16

5.4.2 Lion maintains a 2.5% working interest in the Seram Joint Venture (Seram Non-Bula PSC) that is producing oil out of Indonesia. In the Lion Balance Sheet "A" above, this working interest is carried at a nil value. The Company, in conjunction with us have commissioned ResourceInvest who has provided a range of market values for the 2.5% working interest in the Seram Joint Venture (Seram No- Bula PSC), the East Seram PSC and the 0.8% contingent royalty on South Block A as follows:

	Low **US$**	**Preferred** **US$**	**High** **US$**
Seram Joint Venture (Seram Non-Bula PSC)	9,700,000	16,000,000	24,700,000
East Seram PSC	3,700,000	6,800,000	12,200,000
South Block A contingent royalty	0	1,000,000	3,300,000
	13,400,000	23,800,000	40,200,000

In accordance with Regulatory Guide 111, we have relied upon ResourceInvest to assess the preferred value of the PSC's and have incorporated them in the table above in determining the net asset value on a technical basis. We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company and the general state of the junior oil and gas exploration company market.

5.4.4 We have used and relied on the Valuation Reports by ResourceInvest on the existing oil and gas interests of the Lion Group and have satisfied ourselves that:

- ResourceInvest is a suitably qualified oil and gas geological consulting firm and has relevant experience in assessing the merits of oil and gas projects and preparing oil and gas asset valuations (also the author of the report is suitably qualified and experienced);
- ResourceInvest is independent from Lion; and
- ResourceInvest, to the best of our knowledge has employed sound and recognised methodologies in the preparation of the ResourceInvest Valuation Report on the oil and gas assets of the Lion Group.

5.4.5 We have accepted the audit reviewed amounts as disclosed for all current assets and other non-current assets. We have been advised by the Board of Directors of Lion that they believe the carrying value of all current assets, fixed assets and liabilities at 30 June 2018 are fair and not materially misstated.

A review of cash flow budgets to 30 September 2018 indicated net cash inflow and outflow as nearly equal (no material change to the assets and liabilities as they stand as at 30 June 2018) and thus we have not adjusted the audit reviewed figures as at 30 June 2018 as there would be no material change to the assets and liabilities as they are noted as at 30 June 2018.

5.4.6 We set out below an audit reviewed balance sheet (statement of financial position) of Lion (Balance Sheet "C") as at 30 June 2018 which is based on the Lion Balance Sheet "A" above but which incorporates the preferred fair values of the exploration and development assets of Lion, being the Seram Joint Venture (Seram Non-Bula PSC) and Lion's 100% interest in the East Seram PSC.

	Adjusted Pro-forma 30 June 2018 Lion US$000 "C"
Current Assets	
Cash Assets	1,462
Trade and Other Receivables	922
Inventories	314
Total Current Assets	2,698
Non-Current Assets	
Plant and Equipment	6
Receivables	422
Capitalised Exploration and Evaluation Costs and	-
Oil and Gas Properties/Royalties	23,800
Total Non-Current Assets	24,228
Total Assets	26,926
Current Liabilities	
Trade and Other Payables	1,094
Convertible Notes (grossed up)	1,656
Total Current Liabilities	2,750
Total Liabilities	2,750
Net Assets	24,176
Number of shares on issue	143,373,218
Net fair market value per share (US cents)	16.84

(AUS cents equivalent) as at 30 June 2018	22.78
Using exchange rates as at 14 September 2018 – AUS 23.40 cents	

5.4.7 On a fair market value basis, the preferred net asset value per share of Lion (Balance Sheet "C") is US 16.63 cents, but could vary from US 9.62 cents to US 28.31 cents, based on the high and low values attributed to the Seram Joint Venture, the high and low values attributed to the 100% interest in the East Seram PSC and the high and low values of the South Block A contingent royalty by ResourceInvest.

5.4.8 This equates to the following values per share as follows:

	Low US Cents	Preferred US Cents	High US Cents
143,373,218 Shares	9.60	16.84	28.30
.			
The equivalent in **Australian cents** approximates	12.98	22.78	38.29

The Australian dollar equivalent of the fair value of the net asset per share has been undertaken at an exchange rate of US$0.73.91 = AUS$1 as at 30 June 2018. Using 14 September 2018 exchange rates the values in cents would lie in the range of AUS 13.34 cents to AUS39.33 cents with a preferred value of US23.40 cents.

5.4.9 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Lion and other parties. We also note it is not the present intention of the Directors of Lion to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Lion based on the market perceptions of what the market considers a Lion share to be worth.

5.5 Market Price of Lion Fully Paid Ordinary Shares

5.5.1 Share prices in Lion as recorded on the ASX since 1 January 2018 up to and including 7 June 2018 (the date immediately before the announcement of the Capital Raising) have been between 3.5 cents (In June 2018) and 6.0 cents (in January 2018) but only approximately 0.93% of the shares were traded in this time of which approximately 0.38% of such trades traded in May 2018 and to 7 June 2018 in the range of 3.5 cents to 3.7 cents. Post 8 June 2018 and to 16 August 2018, 2,059,081 shares were traded at prices between 3.0 cents and 4.0 cents. The last sale of 18 July 2018 shares was traded at 3.3 cents each (512,361 shares traded) and the last sale on 16 August 2018 was 3.7 cents (48,932 shares traded). There have been no sales between 17 August 2018 and 23 August 2018. In September 2018 and to 1 October 2018, 1,245,348 shares were traded at between 3.5 cents and 3.7 cents with a last sale on 1 October 2018 of 3.7 cents.

As can be seen from the trading volume on ASX, there is definitely no "deep market" of trading of Lion shares before the announcement of the Proposed Transactions. It is noted that over the past several years, the vast majority of junior oil and gas exploration/small production companies listed on the ASX are trading at significant discounts or premiums to appraised technical values and in some cases have traded at a discount to cash asset backing. In the case of Lion, the monthly volume of trades on the ASX is extremely low and is not be large enough to argue that an orderly market exists for the Company's shares. There are some major shareholders in Lion who do not trade their shares and thus the number of shares that are available for regular trading is not high.

It is our view that using share prices as traded on ASX is not a fair indicator of value of a Lion share but we have considered share prices as a secondary methodology (not the primary methodology).

5.5.2 The future value of a Lion share will depend upon, inter alia:

- the future prospects of its current oil and gas assets;
- the state of the oil and gas markets (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the strength and performance of the Board and management and/or who makes up the Board and management;
- the potential risk of operating outside Australia;
- foreign exchange rates;
- general economic conditions;
- the liquidity of shares in Lion; and
- possible ventures and acquisitions entered into by Lion.

5.6 Conclusion on the Value of Lion Shares Pre the Proposed Transactions

Having considered the above bases of valuations of a Lion share under paragraphs 5.2 to 5.5, we have concluded that the most appropriate basis is to value a Lion share on the basis of the fair market asset values pre-announcement of the Proposed Transactions. Whilst usually our preferred basis to determine the value of a share is to use the value of a share traded on the ASX immediately pre-announcement of the Proposed Transactions, we note that trading in Lion shares has been on a low volume immediately prior to the announcement of the Proposed Transactions. Whilst the market is fully informed of Lion's projects and prospects, the low volume of trades and significant variation in price may not provide a reasonable basis for assessing the underlying fair value of a Lion share. As noted above, the other two basis that we considered, being the Capitalised Maintainable Earnings/Discounted Cash Flow and the Takeover Bid – (the price at which an alternative acquirer might be willing to offer) are not considered suitable.

We conclude therefore that the preferred fair value of a Lion share on a control basis is US 16.84 cents with a low fair market value of US 9.60 cents and a high fair market value of US 28.30 cents. This equates to an approximate range in Australian cents (at 30 June 2018) of AUS 12.98 cents (low) to AUS 38.29 cents (high) with a preferred fair value of AUS 22.78 cents. The range of values are slightly higher using the US/AUS exchange rate as at 14 September 2018 but we note that the US/AUS exchange rate can vary on a day to day basis. We have taken the conservative 30 June 2018 US/AUS exchange rates and in any case the range of values are far in excess of the AUS3.5 cents conversion price for all Convertible Notes. The values have taken into account the 30 June 2018 current assets and liabilities as at 30 June 2018 and a review of cash flows post 30 June 2018 as per forecasted cash flows have indicated no material changes to such assets as they stand at 30 June 2018.

6. Value of Consideration

6.1 Risco (and KL Trio) will effectively pay AUS 3.5 cents (approximately US 2.60 cents) per share on conversion of all Convertible Notes and Risco will receive 37,714,286 ordinary shares (and KL Trio, 26,314,286 ordinary shares). The conversion price of 3.5 cents each is the same as the issue price for the issue of 24,242,857 ordinary shares issued as part of the Capital Raising. Simco, by exercising its $1,320,000 of Convertible Notes held in Risco, will on conversion of such Convertible Notes will obtain an approximate 41.7% interest in Risco and is in effect also paying 3.5 cents per Risco share on conversion of such Convertible Notes.

7. PREMIUM FOR CONTROL

7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve (increase) control of the Company.

7.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, if Risco were issued 37,714,286 ordinary shares on conversion of $1,320,000 of convertible Notes (and KL Trio was issued 26,314,286 ordinary shares on conversion of $921,000 of convertible Notes), Risco's ordinary shareholding interest in Lion would increase from 36.64% to 43.51% (and Simco will have an approximate 41.7% shareholding interest in Risco and a relevant interest in 90,249,643 shares in Lion to be held by Risco on conversion of all Convertible Notes). Accordingly, we have addressed whether a premium for control will be paid.

7.3 The estimated fair value of a Lion share pre-announcement of the Proposed Transactions lies in the range of approximately US 9.62 cents to US 28.31 cents with a preferred value of US 16.88 cents or in Australian cents, 12.66 cents to 37.93 cents with a preferred fair value of 22.13 cents. The amount payable by Risco to convert $1,320,000 of Convertible Notes is AUS 3.5 cents and receive 37,714,286 ordinary shares. Therefore, Risco is thus considered not to be paying a premium for potential <u>increased</u> control.

7.4 We note that currently the Risco Group does have effective Board control of Lion as it has three out of five Board representatives.

7.5 It is generally accepted that premium for control may vary from 10% to 40% or more depending on many different factors including the nature of the business, the financial position of a company, and shareholding percentages. We have reviewed other company takeover premiums in assessing the range of premiums. In addition, we looked at the study undertaken in 2017 by a large accounting firm (RSM) and this study supported the above range of premiums. It is our view, taking into account the existing shareholding of Risco and the Board position, that a control premium of 25% is reasonable.

7.6 Our preferred methodology is to value Lion share on a technical (market) net asset basis which assumes a 100% interest in the Company. Therefore, no adjustment is considered necessary to the technical (market) asset values determined under paragraph 5.4.6 to 5.4.8 as these already represent the fair value of the Company or a share in the Company on a pre-Proposed Transactions control basis (but includes the $848,500 from the issue of 24,242,857 ordinary shares on 8 June 2018).

8. Conclusion as to Fairness

8.1 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

(a) the fair market value of a Lion share, pre-transaction on a control basis; versus
(b) the fair market value of a Lion share, post-transaction on a minority basis, taking into account the associated dilution resulting from the issue of new shares under the Convertible Notes issues and conversions.

8.2 Due to the nature of the business of Lion and its subsidiaries, valuations are dependent upon the value placed on the oil and gas interests of Lion and its subsidiaries. The valuation of oil and gas interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

8.3 We set out below the value of a Lion share on a minority basis post the Proposed Transactions (but noting that the 24,242,857 ordinary shares were treated as pre the Proposed Transactions) after taking into account the following:

- the issue and conversion of the Convertible Notes with a face value totalling AUS$2,241,000 that approximates US$1,656,323 by way of the issue of 37,714,286 ordinary shares to Risco and 37,714,286 ordinary shares to KL Trio; and
- estimated costs of the Notice of US$36,000;

	US $
Net fair value (preferred) as noted in paragraph 5.4.5 above	24,176,000
Costs of the Notice	(36,000)
Conversion of Notes	1,656,323
Assessed fair value after exercise of the Convertible Notes	25,796,323
Number of shares on issue post conversion	207,401,790
Net value per share (US cents) on a control basis	12.43
Minority interest discount	20.0%
Minority value per share (US cents)	**9.95**

The minority value per share in Australian cents is approximately 13.46 cents.

To reflect the value of a Lion share post the Proposed Transactions, to a minority shareholder, a minority interest discount is applied of 20% as this is the inverse of the 25% premium for control. In this case, the minority value per share is US 9.95 cents and if a 25% premium is applied, the controlling interest equates to US 12.43 cents (as above). The inverse is used to arrive at the fair value of a share to a minority shareholder. A 25% premium applied to the minority value per share then equals the value to a controlling shareholder. This is standard practice and is used by all valuers.

Using the low and high fair values of the Lion Group, the minority interest value per share is approximately US 5.93 cents (AUS 8.03 cents) low, and US 16.27 cents (AUS 22.02 cents) (high).

	Low	Preferred	High
The fair value of a Lion Share on a control basis prior to the Proposed Transactions (US cents)	9.60	16.84	28.30
Fair value of a Lion share on a minority basis post the Proposed Transactions (US cents)	5.93	9.95	16.27

In relation to the Performance Shares, we cannot determine whether the vesting conditions to vest into ordinary shares will be met. However, if we assumed they all convert to ordinary shares, the minority interest value per share on a preferred valuation basis may approximate US 9.65 cent (AUS 13.06 cents). The value per share on a control basis equates to approximately US12.07 cents (AUS 16.33 cents). The low and high minority value per share approximates US 6.50 cents (AUS 8.79 cents) and US 18.34 cents (AUS 24.81 cents).

As noted above, the conversion price of the Convertible Notes will be AUS 3.5 cents (equivalent to approximately US 2.59 cents) (US 2.51 cents as at 14 September 2018)

In the event that KL Trio did not convert its Convertible Notes to ordinary shares in Lion, the number of shares on issue pre any Performance Shares converting to ordinary shares in Lion) would be 181,087,504 and the net assets at the preferred fair values would decrease by approximately US$680,711 (AUS$921,000) as the KL Trio Convertible Note would still be owing by Lion. The fair value would decrease from US$25,976,323 to US$25,295,612. The controlling value per share would then approximate US 13.96 cents (approximately AUS 18.89 cents) and the preferred fair value on a minority basis would approximate US 11.17 cents (AUS15.11 cents).

These ranges of values are below the range of fair values on a control basis before the proposal to convert the Convertible Notes to ordinary shares in Lion.

If all Preferred Shares were converted to ordinary shares (but the KL Trio Convertible Note was not converted), the fair value per ordinary share (187,337,504 would be on issue) on a minority basis would range between US 6.28 cents (AUS 8.50 cents (low) to US17.72 cents (AUS 23.98 cents) (high) with a preferred fair value on a minority basis of US 10.72 cents) (AUS 14.51 cents).

These range of values are below the range of fair values on a control basis before the proposal to convert the Convertible Notes to ordinary shares in Lion.

It is noted that Simco would have a relevant interest in 90,249,643 shares in Lion held by Risco on conversion of all Convertible Notes.

8.4 **As the fair value of a minority interest post the Proposed Transactions is less than the fair value of a share on a control basis pre the Proposed Transactions as noted above, in our opinion, taking into account the factors noted in this report, the proposal to allow a change of shareholding in Risco and Simco obtaining a relevant interest in 90,249,643 shares in Lion held by Risco as outlined in Resolution 2 may be considered to be <u>not fair</u> at the date of this report.**

9. **Reasonableness of the Conversion of the Risco Convertible Notes (and the KL Trio Convertible Notes) and allowing Simco to obtain a relevant interest in 90,249,643 shares in Lion to be held by Risco**

9.1 It is noted that if the Proposed Transactions were deemed fair, then the Proposed Transactions would also deemed to be reasonable. However, based on independent valuations of Lion's interests in various PSC's and a potential royalty, we have concluded that the Proposed Transaction is not fair. Thus, we set out below some of the advantages and disadvantages and other factors pertaining to the proposed conversion of all Convertible Notes involving Risco (and KL Trio) that we considered in arriving at our conclusion on the reasonableness of allowing Simco obtaining a relevant interest in 90,249,643 shares in Lion held by Risco.

Advantages

9.2 The Company prior to the proposed Capital Raising of AUS$3,089,500 (approximately US$2,298,104) was cash poor and had insufficient funds to meet existing liabilities and pay for on-going exploration and evaluation of its then existing PSC's and meet the US$500,000 sign-on bonus relating to its newly granted East Seram PSC. Cash was very tight ($795,000 cash at bank as at 31 March 2018 based on the Quarterly Report, with estimated net cash expenditure to 30 June 2019 of US$363,000, and we understand creditors exceeded the cash position) at the time and in the absence of some urgent cash injection, the Company would not have been able to pay the US$500,000 noted above and in a worse-case scenario may have fallen into some sort of Administration (in the absence of some sort of capital raising) or would have had to materially curtail exploration and administration expenditure in the near future.

9.3 If shareholders do not approve Resolutions 2 to 4 and allow the issue and conversion of the Convertible Notes to ordinary shares in Lion, the Convertible Notes will need to be repaid in cash within six months of the first draw-down and also pay interest at 10% per annum and that would be a severe drain on the cash resources of the Company. Lion does not have the funds to repay the Convertible Notes and probably a heavily discounted capital raising would need to occur to raise cash to repay the Convertible Notes amount owing to Risco and KL Trio). The ability to spend money on exploration and or further evaluation of the Lion's interest in the PSC's would be curtailed if the Convertible Notes needed to be repaid in cash. If approval is obtained, the minimum cash saved is $2,241,000 (approximately US$1,656,323 as at 30 June 2018).

9.4 The Company may be better placed to raise further funds by way of share equity as a result of the capital raising as it will be able to meet the new sign-on obligation pertaining to the East Seram PSC. Obtaining access to cash funds in the current environment is difficult and thus the Company and its shareholders should benefit. This should alleviate cash flow concerns in the immediate future and position the Company to fund its short-term operations.

9.5 There is an incentive to Lion and Risco (and ultimately Simco as a new shareholder in Risco), to successfully exploit the oil and gas assets as Lion. The ResourceInvest Valuation Report notes the prospectivity pertaining to the oil and gas assets held by the Lion Group.

9.6 No commission is payable on the issue of the Convertible Notes whilst under a capital raising to a non-associated party - a fee of between generally 5% to 7% may be payable. In addition, the Convertible Notes if converted are interest free (but note that Interest on the Convertible Notes are payable at 10%. Interest for funds lend to junior exploration companies vary but are often in the 10% to 20% range.

9.7 Debt of AUS$2,241,000 (US$1,656,323 as at 30 June 2018) is eliminated from the Lion statement of financial position without any cash outlay. As noted in paragraph 5.4.1 the book net assets of the Lion Group rises (before accounting for any future losses).

Disadvantages

9.8 Currently, Risco owns 52,535,357 ordinary shares in Lion representing an approximate 36.64% ordinary shareholding in Lion and if Resolutions 2 to 4 are passed and Risco and KL Trio convert all Convertible Notes, Risco's ordinary shareholding in Lion increases to approximately 43.51%. The existing shareholders not associated with Risco and Simco) have a current approximate 63.36% interest in Lion but post the conversion of all of the Convertible Notes, the existing shareholding interest reduces to approximately 43.80% (and KL Trio will have an approximate 12.69%).

9.9 The Convertible Note conversion price of 3.5 cent per share may be less than the share price of a Lion share at the actual date of conversion. However, we note that the current (July 2018 and to 13 September 2018) share price of a Lion share is in the range of 3.0 cents to 4.0 cents. It should be noted that shareholders need to take into account the likelihood of the future prospectivity the Lion Group's PSC's, including the new obtained East Seram PSC and thus the impact upon the share price for the duration of the Convertible Notes (although it is expected that the Convertible Notes will be converted shortly after shareholder approval to issue and convert such Convertible Notes), to ascertain whether the future value and the conversion price is considered to be congruent.

Other Factors

9.10 The conversion price of the Convertible Notes (3.5 cents) is the same as the issue price of the $848,500 raised under the Capital Raising and issue of 24,242,857 shares. The share price of a Lion share, as traded on ASX, was in the range of 3.5 cents to 3.7 cents (May 2018 to 7 June 2018) on thin trading and thus the discount of the issue price and proposed Convertible Notes conversion price is near or just below the share price as traded on ASX before consummation of the total Capital Raising proposals announced to the market on 8 June 2018.

9.11 The total number of ordinary shares on issue may rise from 143,373,218 shares to 207,401,790 shares. This could represent an approximate 44.66% increase in the ordinary shares of the Company.

9.12 By approving Resolution 2, it gives Risco the flexibility to convert the $1,320,000 of Convertible Notes to 37,714,286 ordinary shares in Lion and subscribe for the shares without having to make a full takeover bid for the Company. Section 611 (Item 7) approval (Resolution 2) and the passing of Resolutions 2 and 3 would eliminate the need for a full takeover bid.

9.13 The conversion price of 3.5 cent per Convertible Note and the issue price of the 37,714,286 shares to Risco are significantly greater than the net book asset backing per share price of approximately US 1.24 cents (approximately AUS 1.68 cents) per Lion ordinary share.

9.14 The Company may propose to raise further equity capital in 2018/19 as the Company has insufficient working capital for the medium term. The ability of the Company to raise further equity or loan capital is subject to exploration success and market conditions. In any event, the Company will need further funds to meet administration, corporate and exploration costs (some of which is discretionary expenditure) in the future. In the absence of positive results, there is always the possibility that the share price may recede from current prices.

It is noted that the share prices in the period January 2018 to 1 October 2018, the share price of a Lion share traded in the range of 3.0 cents to 6.0 cents but since the announcement of the Capital Raising proposals on 8 June 2018, the ordinary shares in Lion as traded on ASX (thin trading) has been between 3.0 cents and 4.0 cents.

9.15 The issue of shares to Risco on conversion of the $1,320,000 of Convertible Notes (and issue of shares to KL Risco) could possibly deter any potential bidders to make a takeover for the Company (in full or in part). To our knowledge, there are no current bids in the market place and the directors of Lion have formed the view that there is unlikely to be any takeover bids made for Lion in the immediate future.

9.16 In the absence of approval by shareholders of the Proposed Transactions, a 10% premium totalling $224,100 is payable by Lion on repayment in cash of the Convertible Notes. This premium is not payable in the event that shareholders approve the Proposed Transactions.

10. Conclusion as to Reasonableness

10.1 **After taking into account the factors referred to in 10 above and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages, and thus allowing Simco to obtain a 41.7% shareholding interest in Risco and a relevant interest in 90,249,643 shares on Lion held by Risco after conversion of all Convertible Notes), as noted in paragraphs 1.1 and 1.4 and Resolution 2 in the Notice, is considered to be reasonable to the existing non-associated shareholders of Lion at the date of his report.**

11 Shareholder Decision

11.1 Stantons International Securities has been engaged to prepare an independent expert's report setting out whether in its opinion allowing Simco to obtain a 41.7% interest in Risco and a relevant interest in 90,249,643 shares in Lion held by Risco on conversion of all Convertible Notes) is fair and reasonable and state reasons for that opinion. Stantons International Securities has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 2 but we have been requested to determine whether the proposals pursuant to Resolution 2 is fair and reasonable to those shareholders not associated with Risco and Simco. The responsibility for such a voting recommendation lies with the directors of Lion.

11.2 In any event, the decision whether to accept or reject Resolution 2 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position.

If in any doubt as to the action they should take in relation to the proposals under Resolution 2 (and all other Resolutions), shareholders should consult their own professional adviser.

11.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Lion. This is an investment decision upon which Stantons International Securities does not offer an opinion and is independent on whether to accept the proposals under Resolution 2 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

12. Sources of Information

12.1 In making our assessment as to whether the proposals with Risco and in effect Simco as noted above and in the EMS attached to the Notice are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and the oil and gas assets of the Lion Group that is relevant to the current circumstances. In addition, we have held discussions with the management of Lion about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Lion.

12.2 Information we have received includes, but is not limited to:

a) Drafts of Notice of Lion and EMS to 14 August 2018;
b) Discussions with management and a Director of Lion;
c) Details of historical market trading of Lion ordinary fully paid shares recorded by ASX for the period 1 July 2017 to 1 October 2018;
d) Shareholding details of Lion as supplied by the Company's share registry as at 23 July 2018;
e) Audited balance sheet of Lion as at 31 December 2016 and 31 December 2017 and audit reviewed results and balance sheet of the Lion Group for the six months ended 30 June 2018;
f) Announcements made by Lion to the ASX from 1 January 2016 to 2 October 2018;
g) The final independent ResourceInvest Valuation Report of ResourceInvest of August and discussions with Peter Cameron of ResourceInvest;
h) The estimated annual minimum oil and gas expenditure commitments on the oil and gas assets of the Lion Group;
i) The cash flow forecasts of Lion for calendar 2018; and
j) Web site of Lion to 2 October 2018.

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12.3 Our report includes Appendix A and our Financial Services Guide attached to this report. The ResourceInvest Valuation Report is also attached as Appendix B to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 4 October 2018, as outlined in Resolution 2 and as noted in the Notice of Meeting to Shareholders and the EMS proposed to be distributed to the Lion shareholders in October 2018.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Lion and Risco (and Simco) other than acting as an independent expert for the purposes of this report. Before accepting the engagement, Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at approximately $18,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren and Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in Lion, Risco or Simco. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA and Martin Michalik (ACA) the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Lion in order to assist them to assess the merits of allowing Simco to obtain a relevant interest in 90,249,643 shares in Lion to be held by Risco on conversion of all Convertible Notes) and as outlined in Resolution 2 in the EMS to which this report relates. This report has been prepared for the benefit of Lion’s shareholders and does not provide a general expression of Stantons International Securities Pty Ltd’s opinion as to the longer-term value of Lion and its assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of Lion (or Risco). Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 2 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 2.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by Lion and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd's experience and qualifications), Lion has agreed:

(a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Lion may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Lion; and

(b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Lion or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Lion or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to Lion directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 4 October 2018

1. Stantons International Securities ABN 42 128 908 289 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances, we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd also trades as Stantons International that provides audit, corporate services, internal audit, probity, Shareholder consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

APPENDIX B

RESOURCEINVEST PTY LTD VALUTION REPORT ON THE OIL AND GAS ASSETS OF THE LION GROUP DATED 3 AUGUST 2018

resourceinvest

3 August 2018

Mr John Van Dieren
Director
Stantons International Securities Pty Ltd
Level 2, 1 Walker Avenue
West Perth WA 6005

Dear Sir,

INDEPENDENT VALUATION OF LION ENERGY'S INTERESTS IN SERAM PSC (2.5%), EAST SERAM PSC (100%), SOUTH BLOCK A PSC (0.8% ROYALTY), AND UNCONVENTIONAL JOINT STUDY AREAS.

On 8 June 2018, Lion Energy Limited ("Lion") announced a capital raising which included convertible loans from Lion's major shareholder, Risco, amounting to $1,320,000 and by a new investor, KL Trio Pte Ltd ("Trio"), amounting to $921,000. The loans will convert at 3.5 cents per share. In addition, it is planned that Risco will issue shares to another investor (Longueville) other than its existing shareholder and thus the new Risco shareholder will be deemed to be obtaining a substantial shareholding in Lion on conversion of the Convertible Note by Risco.

Longueville has lent $1,320,000 to Risco (Longueville Convertible Notes) on much the same terms as the Convertible Notes issued by Lion to Risco and it is planned that the Longueville Convertible Notes will be converted to shares in Risco at 3.5 cents each (same conversion price of the Convertible Notes to be issued to Risco by Lion). The Longueville Convertible Notes will convert to ordinary shares in Risco within five business days of Lion's shareholders approving the conversion of the Convertible Notes issued by Lion as noted above. The $1,320,000 lent to Risco in effect will be on lent to Lion as the Convertible Notes of $1,320,000 to be issued by Lion to Risco.

Longueville is a company controlled by an US investor, Kenneth J Sauer. Risco is currently controlled via companies controlled by Rizal Risjad. In effect, Longueville, via a 41.7% interest in Risco will have an approximate indirect 18.14% shareholding interest in Lion if all conversions of Convertible Notes occur. Under the Corporations Act 2001, Longueville will obtain a relevant interest in the shares owned by Risco in Lion post Risco exercising its convertible note (that is a relevant interest in 90,249,643 shares in Lion held by Risco). The proposal whereby Longueville may obtain a relevant interest in the up to 90,249,643 shares to be held by Risco on conversion of all Convertible Notes means that indirectly Section 606 of the Corporations Act is triggered. The approval resolutions must be accompanied by an independent expert's report ("IER"), and Lion has requested Stantons International

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13 Lyttleton St, Launceston, Tasmania, 7250
PO Box 1001, Launceston, Tasmania, 7250
T: 0407 879 634
ABN: 96 092 481 126

Securities Pty Ltd ("SIS") to prepare the IER and state whether the proposal to allow a new investor, Longueville in Risco and in effect obtaining a relevant interest in 90,249,643 shares to be held by Risco in Lion is fair and reasonable to the shareholders of Lion not associated with Risco and Longueville.

SIS has requested ResourceInvest Pty Limited ("ResourceInvest") to act as a Specialist, as defined by the 2005 "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports" (the "VALMIN Code") as adopted by the AusIMM. As a Specialist, ResourceInvest has prepared an independent valuation of:

- the 2.5% interest which Lion holds in the Seram (Non-Bula) PSC;
- the 100% interest which Lion holds in the East Seram PSC;
- the 0.8% royalty interest which Lion holds in the South Block A; and
- Lion's various interests in Unconventional Joint Studies

DECLARATIONS

Codes

Except as outlined below, this Report has been prepared in accordance with the VALMIN Code, which is a Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code provides guidance on matters that may be subject to the Australian Corporations Act 2001, the associated Corporations Regulations, other provisions of Australian law, the published policies and guidance of ASIC and the Listing Rules of the ASX.

This report is non-compliant with the VALMIN Code with respect to clause 7.2 - Tenure Status. ResourceInvest has not independently verified the current ownership status and legal standing of the assets under review in this Report. Instead, it has relied on Lion regarding the status of material tenements underlying the energy assets and interests involved in the transaction.

Qualification

This Report is prepared by Mr Peter Cameron, a Director of ResourceInvest who graduated with a BSc (Hons) from the University of Tasmania in 1971. He is a Fellow and Certified Professional of the Australasian Institute of Mining and Metallurgy, a member of the Petroleum Exploration Society of Australia, a member of the Society of Petroleum Engineers, and a member of the American Association of Petroleum Geologists. He has held technical (geophysical), managerial and analytical roles in government, the oil & gas, and securities industries over a period of thirty five years and thus has the appropriate qualifications to be considered 'Competent' in the Petroleum Industry under the meaning of the term in the VALMIN Code. Information in this Report relating to hydrocarbon reserves resources has been reviewed by Mr Cameron.

The information in this report with respect to Seram and South Block A which relates to Petroleum Reserves, Contingent Resources and Prospective Resources is based on, and fairly and accurately reflects in the form and context in which it appears, information and supporting documentation prepared by Lion Energy Ltd and published in the Company's 2017 Annual Report and other presentation documents.

Independence & Previous Work

Neither ResourceInvest, nor any director or employee has, or has had, any shareholding, or related interest in Lion or the Risco Group, or any of their subsidiary companies. Furthermore, ResourceInvest, or any Director or employee of ResourceInvest, has not, or has not had, any shareholding, or related interest, in the assets which are the subject of this report.

ResourceInvest has prepared this report at the request of SIS and will be paid a normal consulting fee for this service. Payment of the fee is in no way contingent upon the outcome of the report.

ResourceInvest believes that the report is a true, full and accurate account of the basis for determining the market value of the exploration assets owned by LION, and includes all relevant information and assumptions. Except to the extent indicated in the report, all information and explanations requested and required to prepare the report were available and used subject to satisfactory verification to the extent set out in the report.

The information contained in this report was obtained from sources we believe to be reliable but ResourceInvest, its directors, employees and consultants do not represent, warrant or guarantee that this information is complete or accurate and no liability is accepted for any errors or omissions.

ResourceInvest has had no material association during the previous two years with the owners of these assets. ResourceInvest does disclose that in February 2016 it prepared a valuation, for Lion, of the SBA PSC, and the Seram (Non-Bula) PSC.

VALUATION

SIS has sought the Valuations assuming:

- a willing but not anxious vendor and purchaser;
- a hypothetical market;
- both parties being aware of current market conditions; and
- highest and best use for the permit.

Our valuation is for:

- the 2.5% interest which LION holds in the Seram (Non-Bula) PSC;
- the 100% interest which Lion holds in the East Seram PSC;
- the 0.8% royalty interest which Lion holds in the South Block A;
- the rights that Lion holds under Unconventional Joint Study Areas in Sumatra.

We have provided Low, Preferred, and High Values and our Preferred Value for the Lion assets is $23.8 million. Throughout this report $ refers to US$.

Signed

Peter Cameron
Director
ResourceInvest Pty Ltd

INDEPENDENT VALUATION OF THE OIL & GAS ASSETS OF LION ENERGY,

FOR

STANTONS INTERNATIONAL SECURITIES PTY LTD

3 AUGUST 2018

ResourceInvest Pty Ltd
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ABN: 96 092 481 126

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1 Methodology

The valuation undertaken here is for Stantons International Securities Pty Ltd in their consideration of whether the proposal to allow conversion of the Convertible Notes by Risco is fair and reasonable to the shareholders of Lion not associated with Risco.

Value under the Valmin Code is defined as the Fair Market Value of a Mineral or Petroleum Asset or Security. It is the amount of money (or the cash equivalent of some other consideration) determined by an Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion. It may comprise a 'Technical Value' adjusted for factors such as market or strategic considerations.

The valuation of petroleum exploration assets is a subjective exercise that usually considers several methods. These include assessments of work commitments; recent transactions or farmouts; expected monetary value; or, where reserves/resources are present; assignment of a value per unit of reserve or resource; or, in the case where production exists, a DCF analysis.

Work commitment

The commitment (either in monetary or work terms) a company or joint venture makes to the Government is one measure of value of a permit. It represents the minimum a company would pay to realise the potential value of the permit given their assessment of the risk of exploration.

Care must be taken in using this method as money spent on a permit during the term of that permit may downgrade or enhance the prospectivity, and hence value, of that permit. Also, commitments can vary depending on market conditions at the time of application, and monetary commitments can quickly become unrealistic.

If the permit is in good standing, however, and in our opinion the work commitment is technically justified, this method can provide the only reliable valuation metric available.

Transaction or Farmout Value

A recent transaction or farmout of a permit provides a basis of valuation. A simple purchase of an interest is a direct indication of value. A farmout usually requires that a farminee pays a 'premium' to the farmor in order to earn an interest in the permit. Thus to earn a 50% interest, a farminee may pay 100% of the cost of a particular work programme. In this case the additional 50% of the programme cost paid represents the 'premium' paid by the farminee. The premium is thus a good indication of value.

Where no farmout has occurred, we may consider potential terms of a farmout that we consider appropriate, as a fair means of valuation.

Expected Monetary Value

Where prospects have been mapped, it is common for exploration companies to assess the Expected Monetary Value (EMV) of those prospects. It is used widely as a ranking tool to provide an equitable comparison between different drill targets. The EMV method is a formal way to value a prospect under assumed risk scenarios. It is a widely accepted method to incorporate risk into a valuation calculation. It provides a broader appreciation of value, and can be used by a third party to gauge the prospectivity of an area. Where appropriate we judiciously use EMV calculations to gauge value as well as prospectivity. We do not equate a sum of a number of EMVs from a permit, to the value of that permit under the Code.

The EMV calculation is the risked value of success less the risked value of failure:

EMV = Prospect NPV × POS – Well cost × (1 - POS)

Where POS is the Probability of Success

Valuation of Reserves / Resources

In 2007 the Society of Petroleum Engineers, in conjunction with other international geological and engineering bodies published a reserve and resource classification referred to formally as the SPE/WPC/AAPG/SPEE Petroleum Resources Management System or 'SPE-PRMS' and shown graphically in the Glossary.

The 'Range of Uncertainty' reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the 'Chance of Commerciality', ie, the chance that the project will be developed and reach commercial producing status.

Assigning a unit value to Reserves, Contingent Resources, and Prospective Resources can provide a consistent method of valuation. Where appropriate, discounting that value for the perceived risks involved in discovery, development and production may be applied.

The Prospective Resource estimates in this Report have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). The estimates of resources in this report constitute forward-looking information which is subject to certain risks and uncertainties, including those associated with the drilling and completion of future wells, limited available geological data and uncertainties regarding the actual production characteristics of, and recovery efficiencies associated with, the reservoirs, all of which are being assumed. As estimates, there is no guarantee that the estimated reserves or resources will be recovered or produced. Actual reserves and resources may be greater than or less than the estimates provided in this report.

Discounted Cash Flow (DCF) models

It is normal practice to value producing oil or gas fields by a discounted cash flow analysis. We have used this method to value the producing oil fields of Oseil in the Seram (non-Bula) PSC.

We have used a discount factor of 10% in these net present value calculations. We have not undertaken a WACC calculation for Lion as we believe it inappropriate for a small market capitalisation company with no debt.

Currency

This valuation is in US Dollars.

Oil Price

We have used the Brent Forward Curve (Brent FC) of 25 July 2018[1] discounted by $10/bbl as the basis for our preferred oil price forecast. With the current volatility in the oil price we see a forecast based on actual forward contracts an appropriate way of dealing with price uncertainty. We believe this case is justifiable as contracts could be written on that day at those prices.

For our low case we take our base case less $10/bbl

For our high case we take our base case plus $15.00/bbl.

These cases are shown graphically in Figure 1 and in annual averages in Table 1, and are based on Brent Forward contract prices accessed at https://www.barchart.com/futures/quotes/CB*0/all-futures on 25 July 2018, with ResourceInvest assumptions applied.

Figure 1. Oil price forecast.

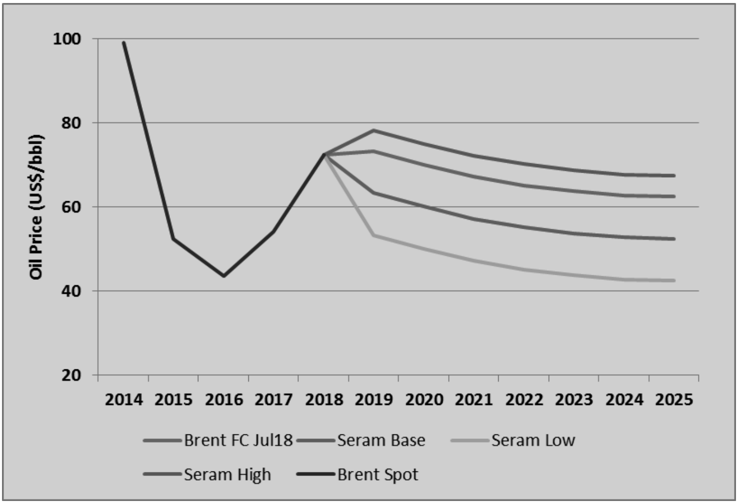


Table 1. Annual average oil price forecasts 2018 - 2025

	2018	2019	2020	2021	2022	2023	2024	2025
Brent FC 25 Jul18	72.3	73.2	70.0	67.2	65.1	63.7	62.7	62.4
Base Seram	72.3	63.2	60.0	57.2	55.1	53.7	52.7	52.4
Low Seram	72.3	53.2	50.0	47.2	45.1	43.7	42.7	42.4
High Seram	72.3	78.2	75.0	72.2	70.1	68.7	67.7	67.4

[1] Brent Oil Futures contract prices accessed on 25 July 2018 at https://www.barchart.com/futures/quotes/CB*0/all-futures

1.1 Approach to Valuation

In Table 2 we outline the methodology employed for each of the Lion assets.

Table 2. Basis of approach to Valuation.

Asset		DCF	Unit Value	Farmout
Seram (non-Bula) PSC	**Oseil**	✓		
	Lofin		✓	
East Seram PSC				✓
South Block A Royalty		✓		

We believe that we have chosen the most appropriate method that reflects the nature and status of the assets. We have not invoked alternate approaches to valuation as a cross-check of the derived values as we don't believe that reliable alternative approaches exist.

For example, the East Seram PSC is a new permit where no previous transactions have taken place, no mapped drilling prospects exist, but a farmout is considered feasible. A DCF value is appropriate for Oseil because it is a producing field with a realistic production forecast. A risked unit value approach for Lofin suits a contingent resource yet to undergo development. A risked and discounted revenue scenario is appropriate for a royalty stream.

We have used risk factors extensively to discount derived values and these are described further under each asset.

2 Summary of Assets

ResourceInvest has not independently verified the current ownership status and legal standing of the assets under review in this Report. Instead, it has relied on Lion regarding the status of material tenements underlying the energy assets and interests involved in the transaction.

Table 3. Summary of Interests.

Permit / Project	Area (km^2)	Interest
Lion Energy Assets		
Seram (Non-Bula) PSC	7,620	2.5%
East Seram PSC	6,504	100%
South Block A PSC	421	0.8% Royalty
North Sumatra Unconventional Joint Study Area	4,684	55%
Central Sumatra Unconventional Joint Study Area	2,481	75%

A summary of our valuation is given in Table 4.

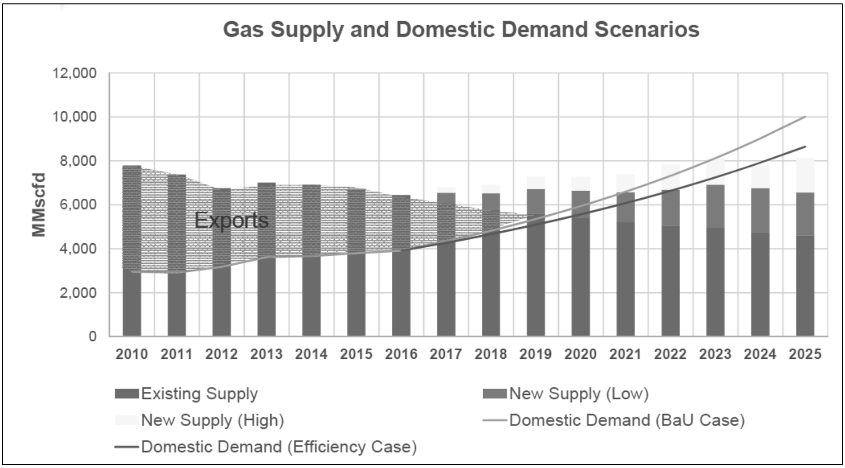
Table 4. Valuation ($ million).

Permit / Project	Interest	Low	Preferred	High
Lion Energy Ltd				
Seram (Non-Bula) PSC	2.5%	9.7	16.0	24.7
East Seram PSC	100%	3.7	6.8	12.2
South Block A PSC	0.8% Royalty	0.0	1.0	3.3
North Sumatra ‘Bohorok’ JSA	55%	0.0	0.0	0.0
Central Sumatra ‘Bengkalis’ JSA	75%	0.0	0.0	0.0
Total		**13.4**	**23.8**	**40.2**

3 Indonesian Oil & Gas market

Indonesia is a significant and well-established player in the international oil and gas industry. Production has failed to meet demand in recent years, and Indonesia is reorienting its energy production away from exports to serve its growing domestic consumption. Ageing infrastructure and fields suggest the country will struggle to meet production targets in the short term. Natural gas production has increased by over a third since 2005. While Indonesia still exports about half of its natural gas, domestic consumption is increasing. Figure 2 shows an increasing demand with a growing supply gap by 2025 (from C. Newton, Indonesian Oil & Gas Industry Trends, Insights, Opportunities and Challenges, March 2017, and available at: http://www.riscoenergy.com/assets/Uploads/insightsdownload/Indonesia-Upstream-Oil-and-Gas-Business-Insights-Singapore-March-2017-Handout-V2.pdf).

Figure 2. Indonesia Oil & Gas Supply Energy Balance.



This has stimulated increased Indonesian gas exploration and opened new opportunities for both conventional and unconventional targets. Over the last two years of lower oil prices, the price gap between export and domestic gas prices have narrowed (Figure 3).

Gas prices in Indonesia are thus expected to remain firm. In our analysis we use a preferred price of $6.00/mcf with a high and low case of +/- $1.00/mcf.We believe these prices are conservative.

In 2017 PT Medco Energi signed a gas sales contract and amended two two existing contracts into the domestic market at prices between US$6.10/mmBTU and US$7.00/mmBTU[2].

Indonesian LNG prices from January to May 2018 are reported to be in the range of US$8.80/mmBTU to US$9.50/mmBTU[3].

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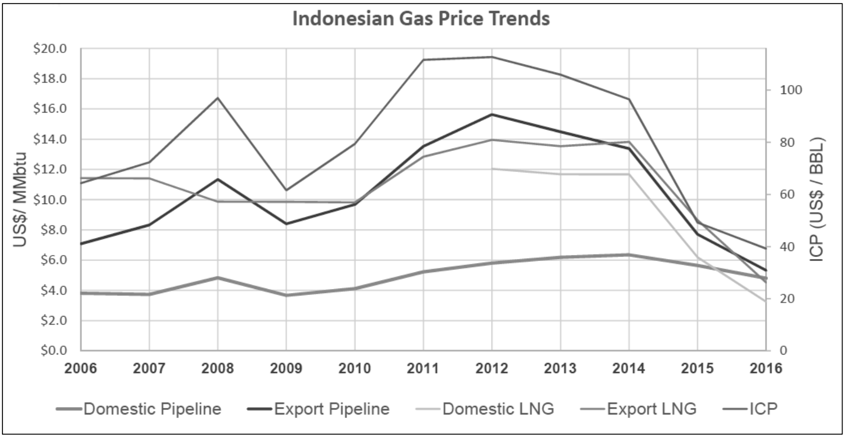
[2] Medco Energi International Annual Report 2017

[3] http://www.indexmundi.com/commodities/?commodity=indonesian-liquified-natural-gas

Figure 3. Indonesian Gas Price Trends.



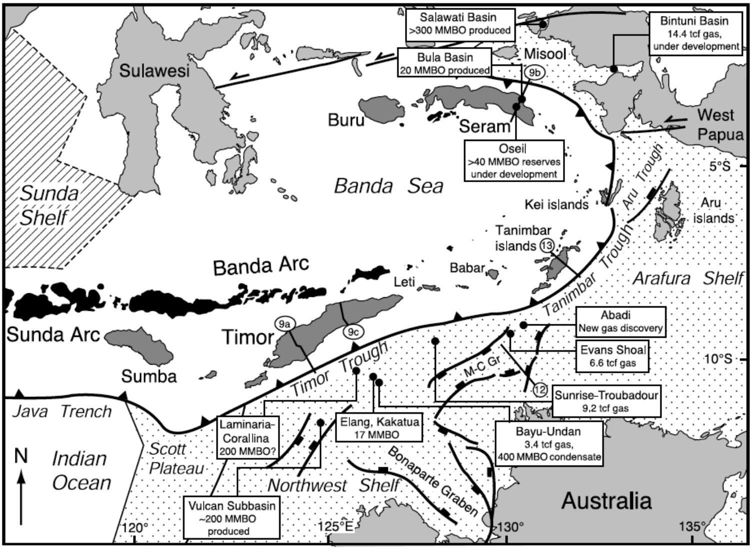
(source: Risco Energy http://www.riscoenergy.com/presentations-and-analysis.html*)*

4 Seram (Non-Bula) PSC

The island of Seram lies some 300 kilometres south west of West Papua and 1,000 kilometres east of Sulawesi (Figure 4). The island is part of the Banda Arc, formed by the Late Miocene convergence of the Indo-Australian plates, and Eurasia. The Seram Non-Bula PSC is located onshore on the north east coast and contains the Bula, Oseil and Lofin fields, discovered in 1897, 1993 and 2012 respectively.

The Oseil field is a structurally complex series of northwest/southeast-trending thrust faults producing from the Manusela Limestone, an oolitic, dolomitised, and strongly fractured shelf carbonate succession of Late Triassic-Early Jurassic age. The seal is the overlying Late Jurassic Kola Shale, and the source is considered to be Triassic restricted marine carbonates (Charlton, 2004).

Figure 4. Regional geology Seram.



4.1 Seram (non-Bula) PSC

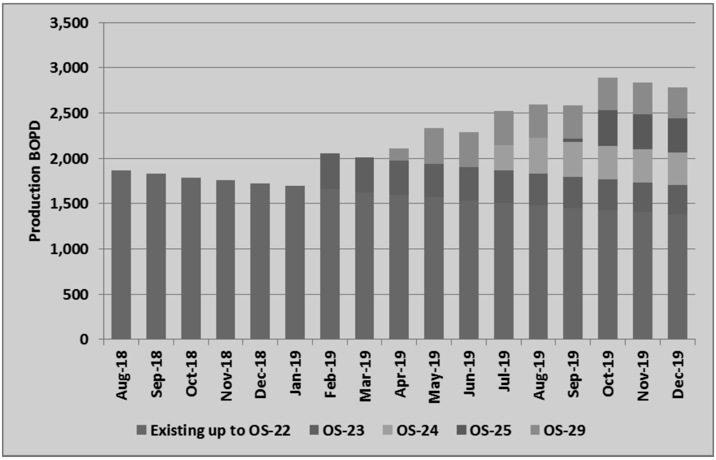
The PSC was awarded in 1993, and offered better terms (the 'Eastern Incentive Terms') than a standard Indonesian PSC in order to encourage exploration activity in eastern Indonesia. These incentives included a higher portion of First Tranche Petroleum available for cost recovery, and a greater contractor split.

This PSC expires on 31 October 2019 and in June 2018 the Joint Venture announced the signing of the extension of the PSC for a further 20 years. The terms of the renewal are based on the new Gross Split terms being offered by the Republic of Indonesia ('GOI') and only require the GOI approval for the annual work program and field development plans which set, amongst other things, relevant fiscal terms. The joint venture can then conduct the work program without being overseen by the GOI and in so doing maximize efficiency in the operations.

4.2 Oseil

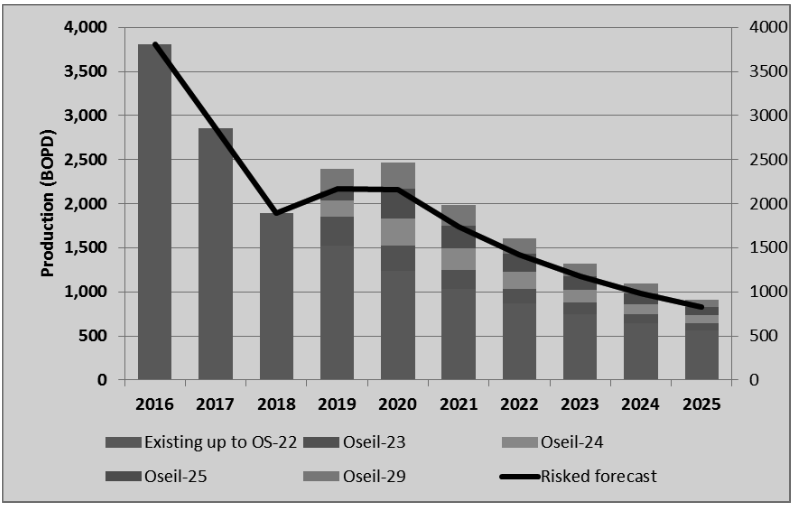
The current Lion production forecasts for 2018 and 2019 include contributions from new wells OS-23, OS-24, OS-25, and OS-29, which are to be drilled in 2018 and 2019. This forecast is shown in Figure 5.

Figure 5. Oseil Field monthly production forecast to December 2019.



The drilling of these wells is not without risk. OS-23 is to be drilled across a fault which separates it from the existing producing area, and OS-24 and OS-25 are planned for the same area. On an annual basis a production forecast to the end of 2015 is shown in Figure 6.

Figure 6. Oseil Field annual production forecast to 2025.



4.2.1 Oseil Valuation

Our valuation allows for current PSC production through to 31 October 2019, and the continuation of the PSC under new fiscal terms through to the end of 2025. We have discounted the forecast production volumes to account for the drilling risk of the new production wells, and this production volume is indicated in Figure 6 as the overlying black line. We have applied a risk factor of 75% to the new well production forecast, and an equivalent discount to our drilling capital.

Drilling and operating costs are based on the current JV budget which includes the four new wells described above. Oil from Oseil generally sells at a discount to Brent and we have discounted the selected Brent price by US$10/bbl in our model.

We have calculated the NPV of Oseil oil production from mid-2018 to the end of the current PSC (October 2019), and then the NPV under the new PSC terms to the end of 2025. Our preferred case uses our base case oil price forecast (Brent Forward Curve less $10/bbl). The high and low cases are calculated using our high and low oil price forecasts, as shown in Table 1, and our values are shown in Table 5.

Table 5. Oseil valuation, Lion's share ($million).

	Low	Preferred	High
Oil Price	Preferred oil price less $10/bbl	Preferred oil price Brent FC less $10/bbl	Preferred oil price plus $15/bbl
Oseil NPV	0.9	1.5	2.4

No value has been assigned to the contingent oil resources in the Oseil field area, or to any of the exploration prospects in the PSC.

4.3 Lofin Field

The Lofin Field is a thrust faulted four way dip anticline located 25-km west of the Oseil 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 Manusela formation, the same Jurassic/Triassic age fractured carbonate reservoir as in the Oseil field. The overlying Jurassic marine Kola shale provides the regional seal with the main source rock interpreted to be the underlying mature Late Triassic Saman-Saman Formation.

The Lofin-1 exploration well was spudded on 17 January 2012 to test the hydrocarbon potential of the Manusela formation in the Lofin structure. In May 2012, the well was side-tracked at 3,420m MD and drilled to a total depth of 4,427m MD and was interpreted still to be in hydrocarbons, representing a current minimum interpreted gross hydrocarbon column of 160m.

After acidizing, the well flowed gas and oil/condensate at a rate of 15.7 mmcfgd and 171 bopd of 36.1° API condensate. Downhole shut-in pressure data acquired during testing operations indicated potential for a significant hydrocarbon column below total depth.

The Lofin-2 appraisal well spudded on 31 October 2014. It intersected the primary Manusela objective at 4,615m MD. Wireline logging at the original programmed total depth (TD) of 5,471m MD, included pressure measurements and samples. Wireline logs provided good data on the Manusela Formation carbonate reservoir which has low average porosity (~4%), net /gross of approximately 30% although with fractures evident throughout the carbonate section. The data acquired provided strong evidence that the hydrocarbon column continued deeper within the fractured Manusela limestone section. The well was therefore drilled to a revised total depth of 5,861m MD.

On pulling out of hole at this revised TD the drill pipe became stuck and on attempting to pull free parted with the top of the 253m stuck drill string at 5,025m MD. A number of attempts to free the stuck pipe were unsuccessful and the joint venture elected to conduct a flow test over the open-hole section of the Manusela Formation.

A successful well test commenced on 21 May 2015 and was conducted as a multi-rate test using different choke sizes over a 7 day period. On a 52/64 inch choke the well flowed gas at 17.8mmcfpd with 2,634bpd water and completion fluid and 54 bpd of 34.9° API condensate. On the smallest choke setting the well was flowing gas at 4.95 mmcfpd with 12 barrels condensate and 280 bpd. Tested gas quality was good with approximately 5% $C0_2$.

The results indicated well flow was occurring around the stuck drill pipe and the presence of water in the test was interpreted to come from the lower part of the well, coincident with a decrease in gas readings while drilling from around 5,586m MD to total depth. The well delineated a continuous gas column of up to 1,300m for the large Lofin structure.

The Lofin-2 well provided critical new information on porosity of the Manusela limestone, net/gross within the hydrocarbon column, fracture density, hydrocarbon saturation, fluid type and contacts.

Under the renewed PSC terms the joint venture is committed to further appraisal of the Lofin discovery by extended flow testing and 3D seismic.

4.3.1 Lofin Field Contingent Resource

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

The data acquired during the drilling of Lofin-1ST1 and Lofin-2, combined with seismic data, has been used to calculate Contingent Resources for the Lofin Field. An overview of Contingent Resources (100% and Lion working interest share) compiled by Lion in accordance with SPE-PRMS classification is shown in Table 6.

Given the data provided at the resource evaluation, the estimates presented are considered reasonable. However, they should be accepted with the understanding that reservoir performance or additional data gathered subsequent to the date of the estimates may necessitate revision. These revisions may be material.

Table 6. In-place and Contingent Resources[4], Lofin Field.

	Low estimate	Best estimate
100% economic interest		
In-place gas (BCF)	1337.0	3070.0
Total (mmboe)	**222.8**	**511.7**
Contingent Resources	**1C**	**2C**
Recoverable Gas (BCF)	879.5	2020.1
Condensate (mmbbl)	8.0	18.3
Total (mmboe)	**145.5**	**345.9**
Lion's 2.5% economic interest		
	Low estimate	**Best estimate**
In-place gas (BCF)	33.43	76.75
Total (mmboe)	**5.57**	**12.79**
Contingent Resources	**1C**	**2C**
Recoverable Gas (BCF)	21.99	50.50
Condensate (mmbbl)	0.2	0.46
Total (mmboe)	**3.64**	**8.65**

4.3.2 Lofin Valuation

The Lofin Field is a material asset for Lion. Our valuation is based on our assessed unit value of the 2C Contingent Resource of 2,020 BCF, to which we apply various discounts as described below.

Estimated unit value: We have used a unit value of $0.60/mcf of recoverable gas for our preferred case. This figure is estimated from modelling a large gas field (760 BCF) under the new Gross Split PSC terms of the Seram PSC.

To the implied resource value we apply a development risk discount of 20% (100%-development risk of 80%) and a commercial risk discount of 40%. The Lofin valuation is summarised in Table 7, with low and high cases resulting from variation in unit value/mcf and variation in development and commercial risk factors as shown.

[4] This estimate of Contingent Resources must be read in conjunction with the cautionary statement at section 4.3.1 on page 10, that Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations but the applied project is not yet considered mature enough for commercial development due to one or more contingencies.

Table 7. Lofin valuation ($million).

		Low	Preferred	High
2C Contingent Resource	BCF	2020	2020	2020
Lion Share 2.5%	BCF	50.5	50.5	50.5
Unit value/mcf	$/mcf	0.50	0.60	0.70
Unrisked value	$m	25.25	30.3	35.35
Development risk	%	70%	80%	90%
Commercial risk	%	50%	60%	70%
Risked Value	$m	8.8	14.5	22.3

4.4 Seram (non-Bula) PSC Valuation

Table 8. Seram (non-Bula) Valuation, Lion 2.5% interest ($million).

	Low	Preferred	High
Oseil	0.9	1.5	2.4
Lofin	8.8	14.5	22.3
Total	**9.7**	**16.0**	**24.7**

5 East Seram PSC

The East Seram PSC is located in the eastern part of Seram Island in Eastern Indonesia (Figure 7), and lies predominantly onshore with some offshore extension. Lion has 100% interest in the 6,504 km^2 Gross Split PSC acquired through the Indonesian joint study process with subsequent successful bid in the 2018 gazettal round. The primary commitment is 500 kilometres of 2D seismic (to be acquired either onshore or offshore) and geological / geophysical studies. No commitment wells are included in the primary 3 year term.

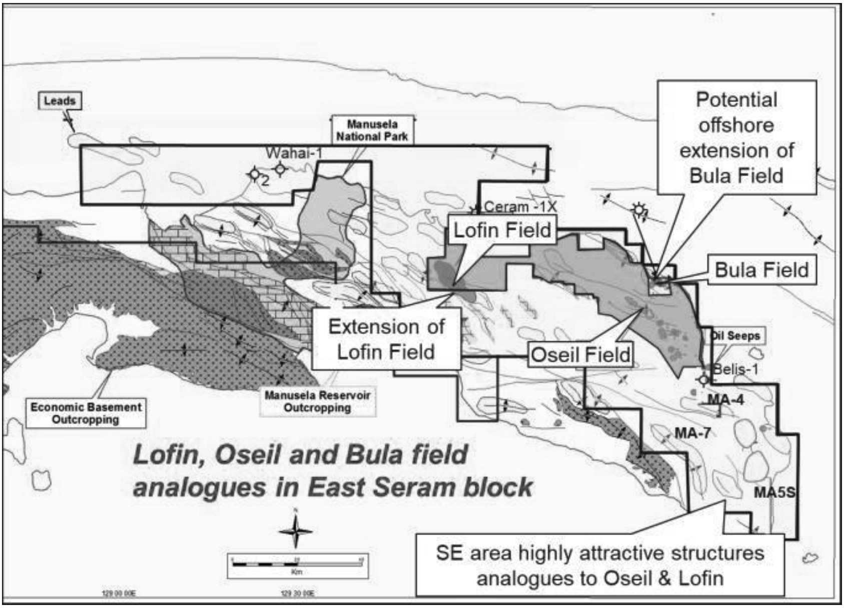
The East Seram block is underexplored, with only four wells which all tested the shallow Plio-Pleistocene play. Seismic coverage is poor to fair onshore and fair to good offshore.

The block contains a variety of proven plays with two distinct sequences recognised:

- Over 6,000 metres of the Permian to Miocene series which is part of the northern extension of the Australian continent, and
- Up to 2,500 metres of the Pliocene to Recent Seram series.

The collision event of the Australian plate with the Sunda plates along the Banda Arc in the late Tertiary resulted in major NW-SE fold belt structures which form attractive exploration targets. The Oseil and Lofin fields are examples of these thrust anticlinal structures.

Figure 7. East Seram PSC, Eastern Indonesia.



5.1 East Seram PSC Valuation

We base our valuation on the potential farmout of this PSC. The cost of the 500 km of 2D seismic work commitment is anticipated to range from US$1 million, if seismic is acquired offshore, to US$10 million if it is acquired onshore.

We assume that a part offshore, part onshore seismic programme costing $7.5 million, is fully funded by a farminee, and that, for our preferred value, Lion retains a 60% interest.

The farmin cost of $7.5 million can be attributed partly towards the working interest earned (non-promoted) and partly towards the promoted component (the premium). In our preferred case, 40% ($3.0 million) is attributed to the earned interest, and 60% ($4.5 million) is attributed to the premium paid to earn the 40% interest. The $4.5 million premium is the cost to acquire a 40% interest, thus valuing 1% at $4.5/40 or $0.1125 per percentage point. This values Lion's residual 60% interest at 60% X $0.1125/% = $6.75 million.

For our high case we assume that Lion retains a 70% interest, and for the low case we assume that Lion retains a 50% interest. The high and low value cases are then calculated, as in the previous paragraph, at $12.25 and $3.75 million respectively (Table 9).

Table 9. East Seram Valuation, Lion's post-farmout interest ($million).

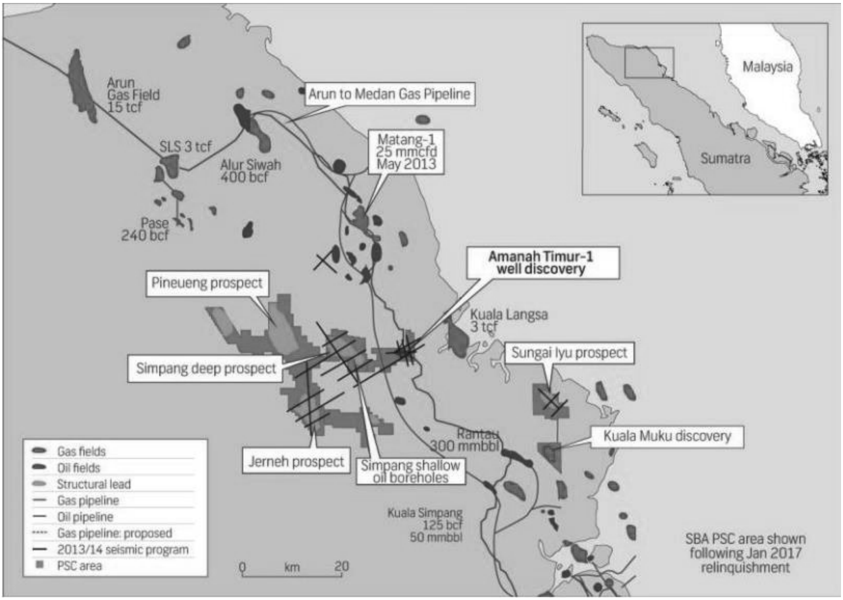
	Low	Preferred	High
East Seram PSC	3.75	6.75	12.25
Total	**3.75**	**6.75**	**12.25**

6 South Block A, Sumatra

On 24 July 2018, Lion announced the sale of its 40.7% interest in South Block A (SBA) for a nominal amount of $10. Lion retained the right to a production royalty equal to 0.8% of the revenue derived from the SBA PSC up to maximum of US$4.5 million. The royalty will accrue and become payable once 50% of the SBA PSC cost recovery pool at first oil has been recovered.

South Block A was renewed in January 2017 for a period of four years. The remaining area of the PSC was reduced to 421 km^2 (Figure 8) but retained existing prospects and leads. The 'non-firm' work programme in the extension period comprises 3 wells and 50 km^2 of 3D seismic. Progress will be reviewed by the regulator after 2 years and failure to either complete the programme, or have a Plan of Development submitted, may result in expiry of the PSC with no financial penalty to participants.

Figure 8. South Block A location and prospects map.



The Joint Venture is mobilising for drilling the Amanah Timur (AMT-2) appraisal well, following the AMT-1 discovery. AMT-1 tested a well-defined anticline which has existing shallow oil reservoirs that produced approximately 200,000 barrels of oil in a period prior to WWII. The well encountered good oil and gas indications with at least three hydrocarbon zones interpreted ("400", "450/500" and "700" sandstones). The appraisal objective will be to fully evaluate the identified hydrocarbon zones and also test deeper objectives, including the "900" sandstone.

The Joint Venture is also advancing plans to drill the Jerneh prospect in 2018.

6.1 Prospects and Leads

There are two prospects in SBA PSC requiring appraisal (AMT and Kuala Muku) and a further five key prospects that have been mapped. The highest graded prospect is Jerneh (gas/condensate). A summary list is given in Table 10.

Table 10. SBA Prospective Resources (Unrisked)

	100% Oil/Cond Recoverable (mmbbl)			**100% Gas Recoverable (bcf)**		
	P90	P50	P10	P90	P50	P10
Fields						
AMT	1.9	4.3	9.6	2.8	5.7	11.9
Kuala Muku	0.5	0.8	1.4	22.9	37.2	59.4
Prospects						
Jerneh	1.5	5.3	17.6	63.7	222.8	760.2
Simpang Deep	2.9	7.0	14.6	97.1	219.6	507.8
Pinueng	0.5	1.2	2.7	28.2	67.6	146.2
Sungai Iyu updip	1.61	5.92	21.05			
Sungai Iyu	0.46	1.38	3.94			

It should be noted that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. This cautionary comment applies to all Prospective Resource estimates in this Report.

6.2 SBA Royalty Valuation

We base our valuation of Lion's Royalty interest in SBA PSC on our assessment of risked cash flows from potential AMT and Jerneh developments. We have not considered other prospects.

We have modelled the potential development of AMT and Jerneh, and estimated the Contractor revenue stream post 50% cost recovery but prior to operating and capital costs.

We considered a 0.8% Royalty stream from both of these cash flows. We applied risk factors to these royalty streams to reflect to the Chance of Success (COS) of the appraisal well AMT-2, and the exploration well Jerneh-1. We applied a 60% COS to the AMT well and a 30% COS to the Jerneh-1 well. The higher COS for AMT-2 reflects the fact that AMT-1 was an oil discovery.

Our low valuation is based on there being no commercial development in SBA (COS = 0%) and hence we assign zero value.

Our high value reflects success at both AMT and Jerneh (COS = 100%) in which case the value is $3.57 million.

These values are summarised in Table 11.

Table 11. South Block A Royalty Valuation ($million).

Preferred Case	**COS**	**Risked NPV**
0.8% royalty share AMT	60%	0.124
0.8% royalty share Jerneh	30%	0.912
Total		**1.036**
Low Case	**0%**	**0.0**
High case	**100%**	**3.247**

7 Unconventional Oil & Gas

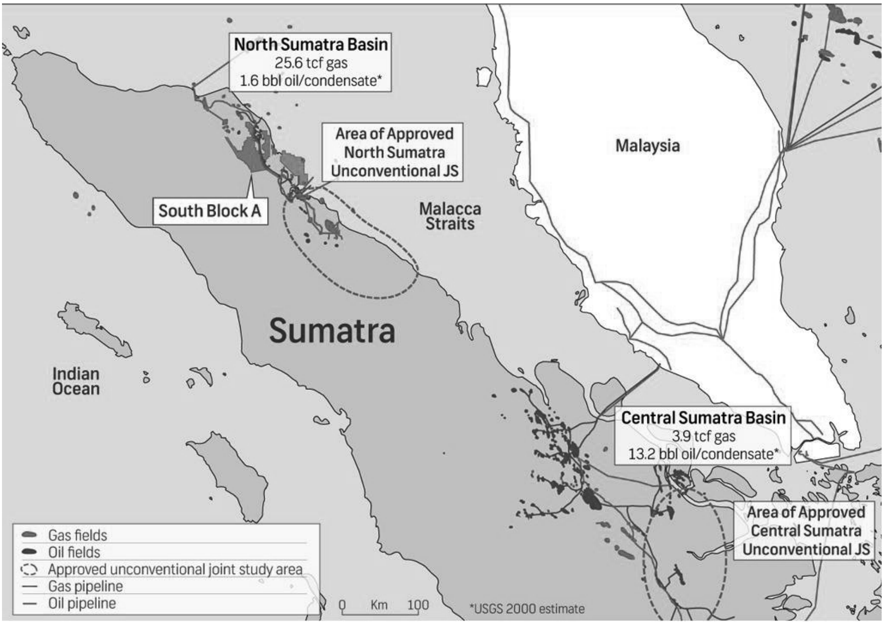
In 2013 Lion made a broad assessment of the unconventional gas and oil potential of Sumatra which resulted in four applications for Joint Study Areas (JSAs). These areas were highlighted after research of existing well information and basin shale geology. Two of these areas were in the North Sumatra Basin and two were in the Central Sumatra Basin.

In February 2015 two of these Joint Study Areas were granted – one in the North Sumatra Basin, and one in the Central Sumatra Basin (Figure 9). The grant of these JSAs provided Lion with the priority right for a subsequent PSC gazettal. This right allowed Lion and its Joint Study partners to match any subsequent bid for the grant of a PSC.

Lion's quarterly report for the period 1 January to 31 March 2018 highlighted the new strategic direction of the Company in seeking producing assets, and disposing of non-core assets. We believe the JSAs are considered as non-core and will be disposed of. Lion has already declined to bid on one of these JSAs (North Sumatra) when given the opportunity in June 2018.

We thus assign no value to these Joint Study Areas.

Figure 9. Unconventional Joint Study Areas.



8 References

Doust, H. & R.A. Noble, 2008: Petroleum Systems of Indonesia, *Marine and Petroleum Geology*, 25, 103-129.

Lion Energy: Various unpublished presentations.

PT Medco Energi International, Annual Report, 2017.

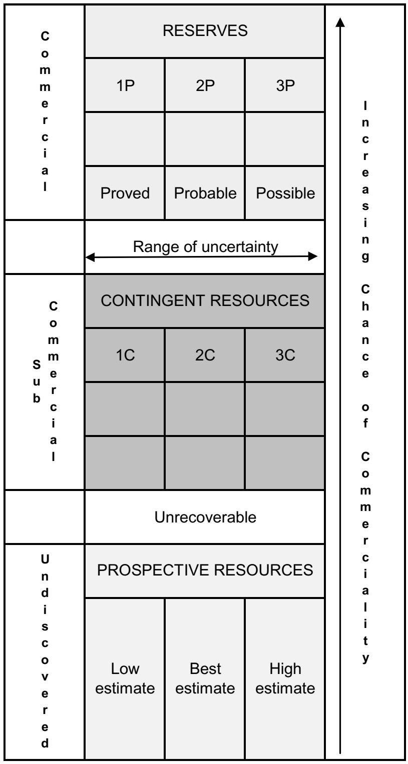
Risco Energy: Various presentations available at http://www.riscoenergy.com/presentations-and-analysis.html

9 Appendix 1 SPE-PRMS Classification

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

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 and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub classified based on project maturity.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.



10 Appendix 2 - Glossary

$	United States Dollar
bbl	barrel
BCF	Billion (10^9) cubic feet
Contingent Resources	are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
EMV	Expected monetary value
FOB Indonesia	FOB (Free On Board) means that the seller pays for transportation of the oil to the port of origin, plus loading costs
FVF	Formation volume factor
GIIP	Gas Initially in Place
GJ	Giga (10^9) Joules
GOR	Gas oil ratio
GRV	Gross rock volume
MCF mcf	Thousand cubic feet
MD	Measured Depth
MMscfd, mmscfd	Million standard cubic feet per day
MMstb, mmstb	Million US stock tank barrels
Mscfd, mscfd	Thousand standard cubic feet per day
mmstb	million stock tank barrels
NPV	Net Present Value
OGIP	Original Gas in Place
OOIP	Original Oil in Place
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively. With respect to Prospective Resources the P90, P50 and P10 quantities are taken to correspond to Low, Best and High Estimates respectively

Pg	Probability of geological success
PJ	Peta (10^{15}) Joules
Prospectus	The prospectus prepared by Lion and lodged with ASIC on or about 22 October 2013.
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 and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.
Reserves	are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Solicitor's Report	The report by Ali Budiardjo, Nugroho, Reksodiputro, Counsellors at Law, included at Section 11 of the Prospectus
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
STOOIP	Stock Tank Barrels Initially In Place
TCF	Trillion (10^{12}) cubic feet
TOC	Total Organic Carbon, a measure of organic richness in sedimentary rocks
$	United States Dollar
Working Interest	A company's equity interest in a project before reduction for royalties or production share owed to others under applicable fiscal terms
WTI	West Texas Intermediate Crude Oil