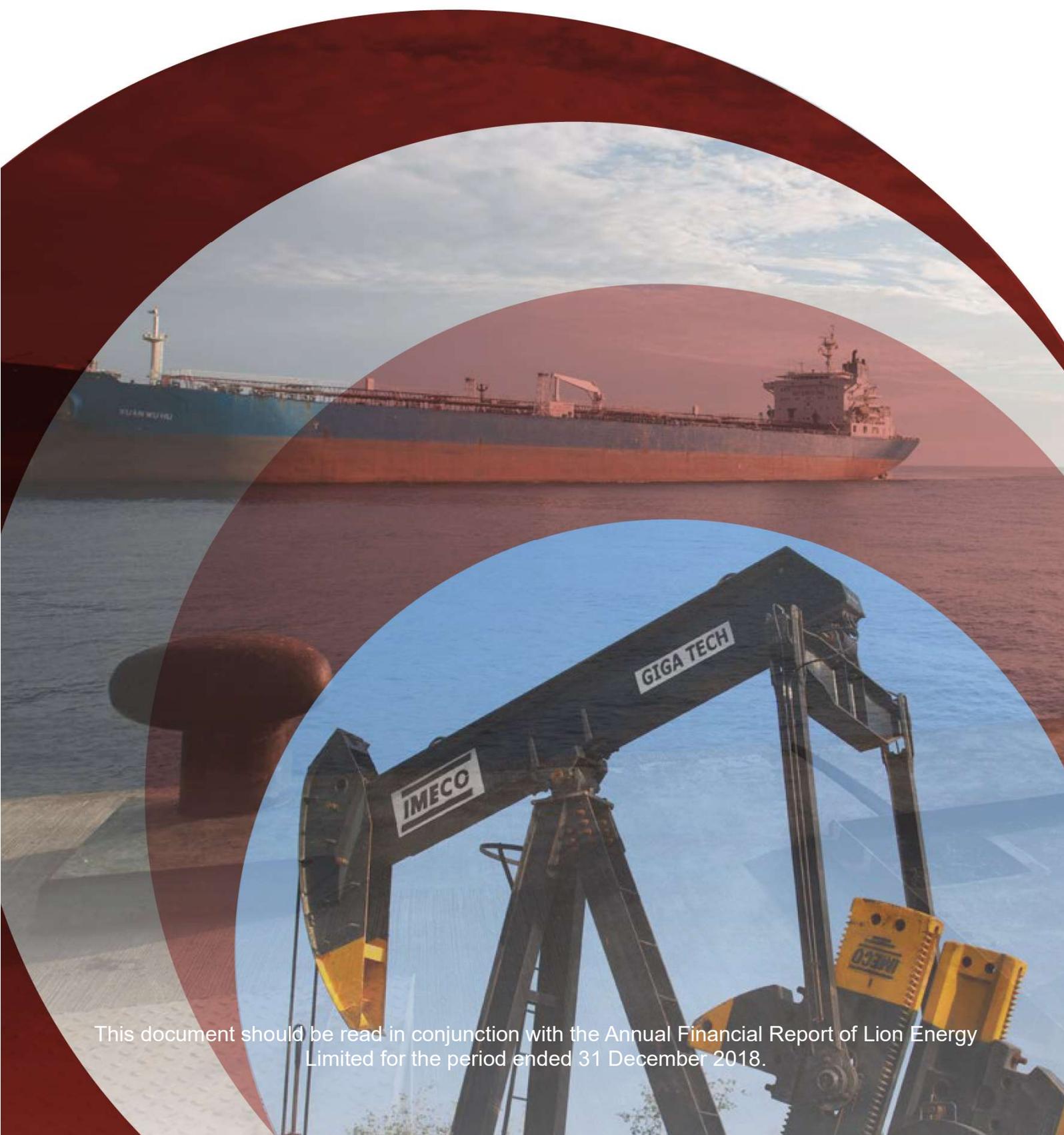




Interim Financial Report Period Ended 30 June 2019

Lion Energy Limited
ABN 51 000 753 640



This document should be read in conjunction with the Annual Financial Report of Lion Energy Limited for the period ended 31 December 2018.



**LION ENERGY LIMITED
CORPORATE DIRECTORY**

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

**JOINT COMPANY
SECRETARIES:** Zane Lewis
Arron Canicais

ABN: 51 000 753 640

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AUDITORS: **Ernst & Young**
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SHARE REGISTRY: **Computershare Investor Services Pty Ltd**
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DIRECTORS' REPORT

The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the period ended 30 June 2019. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company who held office during or since the end of the period are:

Thomas Soulsby
Russell Brimage
Christopher Newton
Damien Servant
Zane Lewis

OPERATING RESULTS

The operating and comprehensive loss for the Consolidated Entity, after income tax for the 6 months to 30 June 2019 amounted to US\$363,630 (2018: US\$428,778).

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

Significant Changes

There were no significant changes in the state of affairs of the Company during the financial period.

Review of Operations

Operational highlights for the period:

- Production from the Seram (Non-Bula) PSC averaged 1,785 bopd, which equates to 7,623 barrels net to Lion, representing a 9.9% decrease on the previous corresponding period due to natural decline and well management.
- On 1 June 2018 the Company signed a 20-year extension of the Seram (Non Bula) PSC. This extension comes into effect at the end of the current PSC term being 31 October 2019.
- There were no crude oil liftings in the current half year, and the next lifting is scheduled for October 2019.
- The Seram (Non-Bula) JV has approved the Lofin 2 well test and this work is expected to commence in Q1 2020. The Seram (Non-Bula) JV has also approved a development drilling program at the Oseil oil field, which is expected to commence Q1 2020.
- The company commenced an extensive G&G study in the East Seram PSC (Lion 100%) and has worked up 18 leads with some 1.24 billion boe (best estimate) prospective resource including the highly ranked MA-7 oil prospect (P50 217 mmmboe) and the Lofin gas discovery extension with a P50 prospective resource of 154BCF.
- A 500 km 2D seismic survey is scheduled for 2020 and planned to cover high graded prospects and leads as well as the extensions of Lofin and the Bula oil field. Planning for the survey, which is expected to be shot both on and offshore, commenced in H1 2019. Lion is confident this will result in a suite of drill ready targets and reinforce the East Seram PSC as one of the most high-potential exploration blocks in the SE Asian region.

DIRECTORS' REPORT

- The company is close to signing a farm out of an the East Seram PSC and will advise the market in due course, likely in Q3 2019.
- Lion continued an active new business evaluation program with several attractive production or near-term opportunities under review at period end.

Further information may be found in the Company's reports for the March 2019 and June 2019 quarters, released to the ASX on 30 April 2019 and 30 July 2019, respectively.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods, other than:

On 12 September 2019 Lion Energy Limited and Gulf Petroleum Investment Company KSCC (GPI) mutually agreed to terminate the SPA both parties entered into on the 12 December 2018 that contemplated the sale of GPI's 16.5% interest in the Seram (Non Bula) PSC to Lion Energy Limited.

By way of background, the Seram (Non Bula) PSC is in the process of being converted from a legacy cost recovery styled PSC to the more innovative new gross split PSC format commencing effective 1 November 2019.

The Proposed Transaction was subject to various conditions, including approval from the Government of Indonesia ("GOI"). The Proposed Transaction involved the purchase by Lion of GPI's rights and obligations in both the current PSC that expires 30 October 2019, and the new PSC that commences on 1 November 2019.

The GOI has indicated that whilst it can approve the transfer of GPI's interest to Lion in the current PSC contract, it has ruled that existing participants in the new PSC are restricted from selling more than 50% of their participating interest in the first five years, during the new PSC firm work commitment period.

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Ernst & Young, have provided a signed auditors independence declaration to the directors in relation to the six months ended 30 June 2019. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.



Thomas Soulsby
Executive Chairman

13th September 2019
Perth, Western Australia

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Lion Energy Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company set out on page 4 to 12 are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the financial position as at 30 June 2019 and of its performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) Subject to Note 2 of the financial report there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Thomas Soulsby
Executive Chairman

13th September 2019
Perth, Western Australia



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019**

	Note	6 months to 30 June 2019 US\$	6 months to 30 June 2018 US\$
SALES REVENUE	3	-	549,508
Cost of sales	3	-	(402,524)
GROSS PROFIT		-	146,984
Financing income	3	3	11
Administration expenses	3	(174,341)	(185,776)
Employee benefit expenses		(245,006)	(305,791)
Foreign exchange gains		(3,119)	10,008
Capitalised exploration expenditure write off expense		-	(198,704)
Other financial income from recovery of prior period credit losses		58,833	104,490
LOSS BEFORE INCOME TAX		(363,630)	(428,778)
Income tax expense		-	-
LOSS AFTER INCOME TAX		(363,630)	(428,778)
LOSS FOR THE PERIOD		(363,630)	(428,778)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(363,630)	(428,778)
BASIC LOSS PER SHARE (CENTS PER SHARE)		(0.18)	(0.37)
DILUTED LOSS PER SHARE (CENTS PER SHARE)		(0.18)	(0.37)

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	30 June 2019 US\$	31 December 2018 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	884,556	1,054,515
Trade and other receivables	5	16,818	516,489
Inventories		637,421	317,424
Non-current assets held for sale	6	529,729	-
TOTAL CURRENT ASSETS		2,068,524	1,888,428
NON-CURRENT ASSETS			
Plant and equipment		4,420	5,386
Receivables		497,250	497,250
Capitalised exploration and evaluation expenditure	6	551,351	1,042,236
Oil and gas properties	7	182,812	277,202
TOTAL NON-CURRENT ASSETS		1,235,833	1,822,074
TOTAL ASSETS		3,304,357	3,710,502
CURRENT LIABILITIES			
Trade and other payables	8	488,315	530,830
TOTAL CURRENT LIABILITIES		488,315	530,830
TOTAL LIABILITIES		488,315	530,830
NET ASSETS		2,816,042	3,179,672
EQUITY			
Issued capital	9	50,664,973	50,664,973
Reserves		2,840,100	2,840,100
Accumulated losses		(50,689,031)	(50,325,401)
TOTAL EQUITY		2,816,042	3,179,672

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019**

	Note	6 months to 30 June 2019 US\$	6 months to 30 June 2018 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		435,365	267,879
Receipts from legal settlement		-	-
Production expenditure		(140,932)	(142,604)
Payments to suppliers & employees		(402,663)	(287,534)
Interest received		3	11
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(108,227)	(162,248)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		600	238
Exploration and evaluation expenditure		(38,844)	(859,497)
Oil and gas properties expenditure		(20,369)	(50,068)
Payment of performance bond collateral, net		-	(597,250)
NET CASH USED IN INVESTING ACTIVITIES		(58,613)	(1,506,577)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		-	646,011
Share issue costs		-	(4,230)
Borrowings		-	1,656,323
NET CASH FROM FINANCING ACTIVITIES		-	2,298,104
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(166,840)	629,279
Net foreign exchange differences		(3,119)	10,008
Cash and cash equivalents at beginning of period		1,054,515	823,113
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	884,556	1,462,400

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019**

	Issued Capital US\$	Option Premium Reserve US\$	Currency Translation Reserve US\$	Share Based Payment Reserve US\$	Accumulated Losses US\$	Total Equity US\$
AT 1 JANUARY 2019	50,664,973	(27,070)	2,862,775	4,395	(50,325,401)	3,179,672
Loss for the period	-	-	-	-	(363,630)	(363,630)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	(363,630)	(363,630)
Transactions with owners in their capacity as owners						
Securities issued	-	-	-	-	-	-
Share issue cost	-	-	-	-	-	-
AT 30 JUNE 2019	50,664,973	(27,070)	2,862,775	4,395	(50,689,031)	2,816,042

	Issued Capital US\$	Option Premium Reserve US\$	Currency Translation Reserve US\$	Share Based Payment Reserve US\$	Convertible Note Reserve US\$	Accumulated Losses US\$	Total Equity US\$
AT 1 JANUARY 2018	48,077,278	(27,070)	2,862,775	-	-	(49,597,718)	1,315,265
Loss for the period	-	-	-	-	-	(428,778)	(428,778)
Other comprehensive income	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	-	(428,778)	(428,778)
Transactions with owners in their capacity as owners							
Securities issued	797,593	-	-	-	-	-	797,593
Share issue cost	(4,230)	-	-	-	-	-	(4,230)
Performance rights issued	-	-	-	12,304	-	-	12,304
Convertible loans – equity components	-	-	-	-	88,878	-	88,878
AT 30 JUNE 2018	48,870,641	(27,070)	2,862,775	12,304	88,878	(50,026,496)	1,781,032

The accompanying notes form part of this financial report



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

NOTE 1. BASIS OF PREPARATION OF THE PERIOD FINANCIAL REPORT

These general purpose interim financial statements for the interim 6 month reporting period ended 30 June 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Lion Energy Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018, together with any public announcements made during the period.

Statement of compliance

The interim financial report complies with the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2018, except for the impact of all new or amended standards and interpretations. The adoption of the new or amended standards and interpretations did not result in any significant changes to the Group's accounting policies. In addition, the adoption of AASB 16 *Leases* have no material impact as the Group had no lease contracts as at 1 January 2019. The Group has not elected to early adopt any new accounting standards and interpretations.

NOTE 2. GOING CONCERN BASIS

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss before income tax of US\$363,630, a net operating cash outflow of US\$108,227 and spent a net investing cash outflow of US\$58,613 for the 6 months to 30 June 2019.

The Consolidated Entity is currently in a positive net current asset position, including cash of \$884,556. The Directors are confident that the Group has sufficient cash to fund its share of currently approved joint venture activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due during such period. This is premised on the successful farm-out of an interest in the East Seram exploration and evaluation project. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cash flow. Failing a successful farm-out, the Directors will be reliant on the continued support of its shareholders to carry out its activities from 12 months to the date the financial statements are approved. Irrespective, the Directors note that beyond the next 12 months, committed and uncommitted business activities, such as continued exploration and evaluation activities, are likely to require expenditure in excess of funds available. Options with regard to funding those activities will need to be sought.

Should the Group not achieve additional funding required for committed activities, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Group not be able to continue as a going concern.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

**6 months to
30 June 2019
US\$** **6 months to
30 June 2018
US\$**

NOTE 3. REVENUE AND EXPENSES

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

REVENUE

Oil sales	-	549,508
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FINANCE INCOME

Interest income	3	11
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BREAKDOWN OF EXPENSES

Cost of goods sold:

Production costs	-	198,908
Depreciation, depletion & amortisation	-	203,616
	-	402,524

Administrative expenses

Depreciation	366	563
Consultancy expenses	24,593	45,400
Legal expenses	6,997	5,154
Professional fees	69,236	57,185
Rental costs	11,965	2,506
Cost of share based payments	-	12,304
Interest Expense	-	6,540
Travel expenses	16,775	18,901
Other administrative expenses	44,409	37,223

	174,341	185,776
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	30 June 2019 US\$	31 December 2018 US\$
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NOTE 4. CASH AND CASH EQUIVALENTS

Cash at bank	845,926	1,028,386
Share of joint venture cash	38,630	26,129
	884,556	1,054,515



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

	30 June 2019 US\$	31 December 2018 US\$
NOTE 5. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade debtors	-	435,365
Other debtors and prepayments	16,818	81,124
	16,818	516,489

NOTE 6. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

Capitalised exploration and evaluation expenditure	551,351	1,042,236
TOTAL	551,351	1,042,236

MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

At the beginning of the financial period	1,042,236	266,698
Expenditure during the period	38,844	974,242
Capitalised exploration expenditure written off	-	(198,704)
Transfer to non-current assets held for sale	(529,729)	-
AT THE END OF THE FINANCIAL PERIOD	551,351	1,042,236

Included in exploration and evaluation expenditure are costs associated with the East Seram PSC.

During the period, the Group has resolved to farm-out up to 49% of the East Seram project and the activities to locate a farm-in partner have commenced. The farm-out is expected to be finalised within the next 12 months from the balance date.

NOTE 7. OIL AND GAS PROPERTIES

Oil and gas properties	182,812	277,202
TOTAL	182,812	277,202

MOVEMENTS IN THE CARRYING AMOUNT OF OIL AND GAS PROPERTIES

At the beginning of the financial period	277,202	548,485
Expenditure during the period	20,369	82,150
Depreciation, depletion & amortisation	(114,759)	(353,433)
AT THE END OF THE FINANCIAL PERIOD	182,812	277,202



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

	30 June 2019	31 December
	US\$	2018
		US\$
NOTE 8. TRADE AND OTHER PAYABLES (CURRENT)		
Trade and other payables	295,730	348,274
Provision for site restoration costs	192,585	182,556
	488,315	530,830

NOTE 9. ISSUED CAPITAL

ORDINARY SHARES

207,401,790 (31 December 2018: 207,401,790) fully paid ordinary shares	50,664,973	50,664,973
	50,664,973	50,664,973

MOVEMENTS IN ORDINARY SHARES

At the beginning of the period		50,664,973
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AT THE END OF THE FINANCIAL PERIOD

	50,664,973	
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NOTE 10. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the board of directors and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to oil and gas exploration, development and production in Indonesia.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

NOTE 11. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods, other than:

On 12 September 2019 Lion Energy Limited and Gulf Petroleum Investment Company KSCC (GPI) mutually agreed to terminate the SPA both parties entered into on the 12 December 2018 that contemplated the sale of GPI's 16.5% interest in the Seram (Non Bula) PSC to Lion Energy Limited.

By way of background, the Seram (Non Bula) PSC is in the process of being converted from a legacy cost recovery styled PSC to the more innovative new gross split PSC format commencing effective 1 November 2019.

The Proposed Transaction was subject to various conditions, including approval from the Government of Indonesia ("GOI"). The Proposed Transaction involved the purchase by Lion of GPI's rights and obligations in both the current PSC that expires 30 October 2019, and the new PSC that commences on 1 November 2019.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

The GOI has indicated that whilst it can approve the transfer of GPI's interest to Lion in the current PSC contract, it has ruled that existing participants in the new PSC are restricted from selling more than 50% of their participating interest in the first five years, during the new PSC firm work commitment period.

NOTE 12. FINANCIAL INSTRUMENTS

Due to their short-term nature, the carrying amounts of the Group's financial assets and liabilities at 30 June 2019 were considered to approximate their fair value.

NOTE 13. RELATED PARTY TRANSACTIONS

There has been no change in related party transactions since the last annual reporting period.



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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Lion Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material uncertainty related to going concern

We draw attention to Note 2 in the financial report. The conditions as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Darryn Hall', written in a cursive style.

Darryn Hall
Partner
Perth
13 September 2019



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Auditor's Independence Declaration to the Directors of Lion Energy Limited

As lead auditor for the review of the half-year financial report of Lion Energy Limited for the half-year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Darryn Hall
Partner
13 September 2019