LION energy

Annual Report 2019

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

REGISTERED OFFICE:

Suite 1, 295 Rokeby Road
Subiaco WA 6008, Australia

Tel: +61 (8) 9211 1500
Fax: +61 (8) 9211 1501
Web: www.lionenergy.com.au

ABN 51 000 753 640

AUDITORS:

Ernst & Young
11 Mounts Bay Road
Perth, Western Australia 6000

Tel: +61 (8) 9429 2222
Fax: +61 (8) 9429 2432

SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth, Western Australia 6000

GPO Box D182
Perth WA 6840, Australia

Tel: +61 1300 850 505
Fax: +61 (8) 9323 2033

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

CONTENTS

HIGHLIGHTS

Financial

- Market capitalisation at 2.3 cps of A$4.8mil as at 31 December 2019, compared to A$8.3mil as at 31 December 2018.
- Lion's strategy roll out continued with the introduction of a significant partner, CPC Corporation of Taiwan ("CPC"), into the exciting East Seram PSC which Lion operate with a 60% participating interest.
- Importantly for shareholders, CPC have agreed to fund 80% of expected East Seram PSC seismic costs up to a cap of US$8.5m.
- Continuing prudent financial management in challenging industry conditions, consolidated cash balance of US$1,669,266 at 31 December 2019.
- Seram (Non Bula) PSC continues to be cash flow positive with ongoing cost savings and higher oil price balancing natural production decline.
- Lion's revenue share from crude oil liftings in Seram (Non Bula) PSC US$534,521 (before deduction of Indonesian Government entitlement).

Organisation

- Staff strengthened after the establishment of a Jakarta office and the appointment of a seismic operations team led by industry and Indonesian veteran, Alan Fenwick. The Jakarta team are progressing with the permits, approvals, and seismic contracting for the East Seram seismic program within our internal timeframe.
- Finance team set up in Jakarta and reporting systems put in place for regulatory and partner reporting.

Operations

- Gross production from the Seram (Non Bula) PSC was 0.629 million barrels (average 1,725 bopd) for the year, a natural annual decline of 10.2 %.
- Gross crude oil liftings for the year from the Seram (Non Bula) PSC 476,384 barrels (Lion net share 11,240 barrels after GOI entitlement).
- A gross crude lifting of 155,238 barrels was completed on 2nd January 2020, representing the bulk of crude oil inventory remaining at 31 December 2019.
- Operating costs for the production operations was $23.84 (down from $25.76 in the previous year, despite the 10.2% production decline).
- The Seram (Non Bula) PSC renewal became effective for a further 20 years from 1 November 2019, on commercially attractive gross split terms, securing access to ongoing oil production and upside associated with the significant Lofin gas discovery further evaluation and potential commercialization.
- Lion commenced planning, permitting and contract preparations for seismic activities, following closing a farm out to CPC of Taiwan, with CPC earning a 40% participating interest in the East Seram Gross Split PSC.

CHAIRMAN'S MESSAGE

Introduction

Welcome to the 2019 Annual Report.

Despite current moves in oil markets, 2019 was a milestone year in the reset of Lion Energy's strategy with the introduction of a significant partner, CPC Corporation of Taiwan ("CPC"), into the exciting East Seram PSC which Lion operate with a 60% equity. CPC brings upstream and mid-stream industry knowledge to the joint venture. Importantly for Lion shareholders, CPC have committed to fund 80% of expected seismic costs up to a cap of US$8.5m to earn a 40% equity interest in the block.

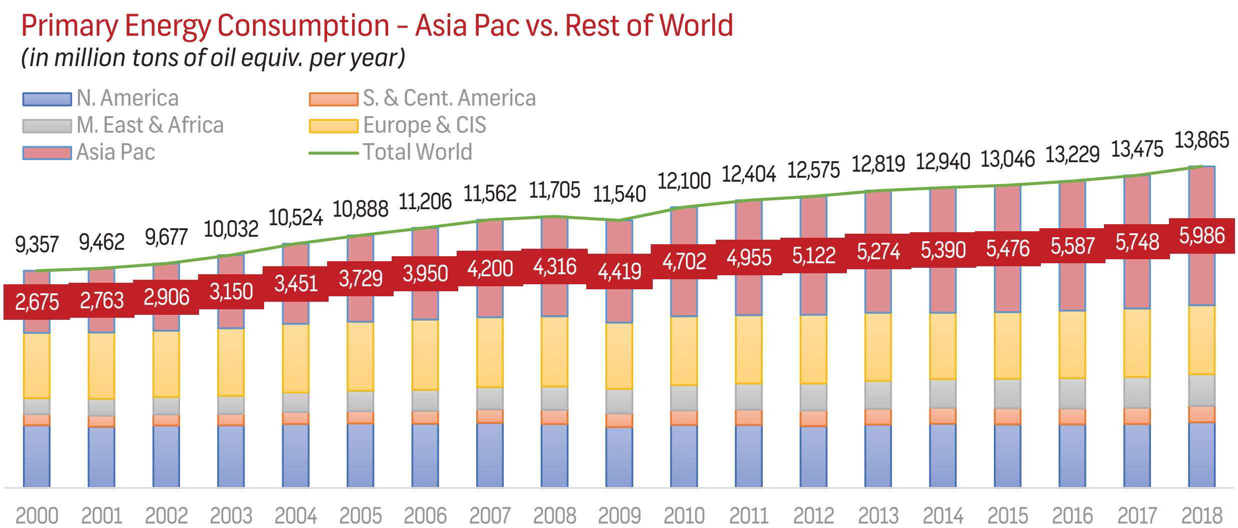
Lion's East Seram PSC has 18 leads with a combined gross P50 prospective resource of 1,240 million barrels of oil equivalent. We consider it to be amongst the best exploration blocks in Southeast Asia. Lion has retained a highly material 60% participating interest. Our seismic planning, environmental approval and permitting is well advanced, with seismic acquisition expected to commence mid-year.

Lion has a 2.5% strategic stake in the adjacent Seram (Non Bula) PSC and after two years of deferred investment due to contract extension negotiations, the joint venture recommenced development drilling in the Oseil oil field in early 2020, some three months after the new 20 year contract commenced. Up to four new development wells will be drilled this calendar year combined with an all important well test of the significant Lofin gas discovery.

Before getting into details of the company's performance, let me talk you through the way I see the market, the business environment in our core market, Indonesia, and how I see the outlook for 2020. I will review Lion's 2019 year and explain our forward plans.

Global Energy Market Context/Indonesian Business Environment and the Outlook

Lion's core market, Indonesia, is, despite current turmoil caused by the COVID-19 virus, situated on the doorstep of the world's largest and fastest growing oil and LNG import market, Asia. As such, resources found in Indonesia can easily find an export market. Asian primary energy consumption represented 43.2% of world consumption in 2019, with growth rates that lead the world. The fastest growing LNG import markets over the years 2013 to 2018 were China (+24% p.a.) and Taiwan (+6%p.a).



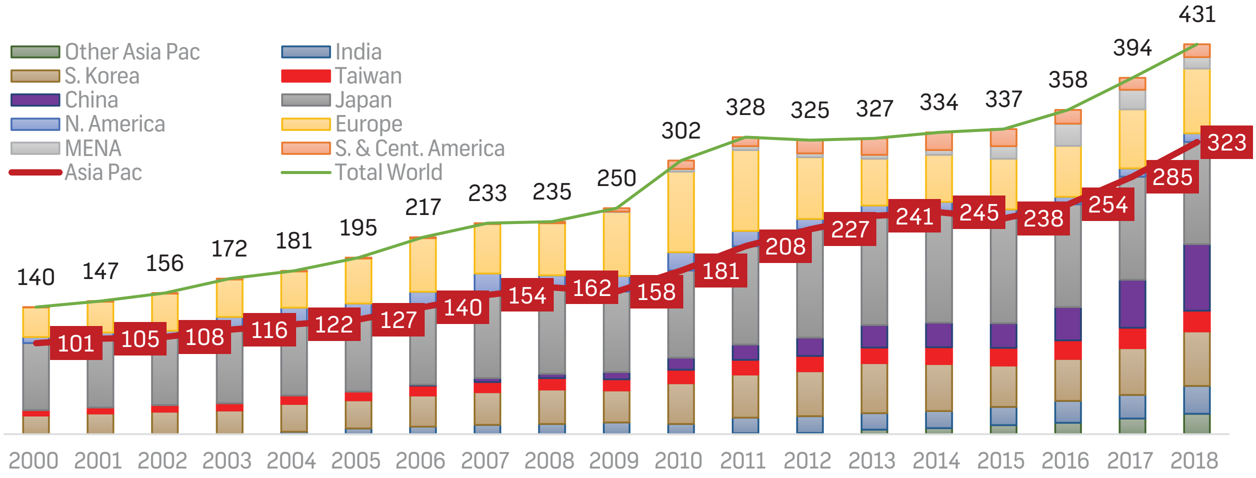
Source: BP Statistical Review 2019 edition

Chairman's Message

It is no wonder that major participants from these two strategic markets (Citic Resources of HK/China and CPC of Taiwan) are our key joint venture partners in our two oil and gas production sharing contracts. For gas, Asia represented 75% of global LNG imports in 2018, with Japan, China and Korea making up the lions' share.

Intra-Asia LNG import growth rates are mixed, with Japan showing a negative average growth rate of -1.3% p.a. over the last five years in contrast to the high growth rates of China and Taiwan.

LNG Imports – Asia Pac vs. Rest of World
(in BCM per year)



Source: BP Statistical Review 2019 edition

I believe that while the role of coal will remain significant, positioning Lion in a substitute energy product is logical. BP recently said that cascading actions taken against coal, in light of the Paris Agreement, would lead to a flat demand outlook such that demand for coal in 2040 will be close to the levels of 2010. The implications for gas in this forecast is significant. Against this backdrop, the trend in global fuel mix shows that whilst oil, coal and gas are currently the big three, gas will overtake coal in the number 2 spot by the end of the current decade. This follows on from gas being the single largest growth segment over the last three years.

It is on the back of these trends that Lion is rolling out an expansion strategy in gas, whilst maintaining an attractive oil portfolio.

Indonesia, our core market, is no exception to the above trend. Indonesia has been a leader in the production of gas and LNG since the late 1970's but is close to becoming a net importer of LNG itself as domestic demand for gas outstrips domestically available supply.

Presidential Regulation No. 22 of 2017 outlining the National Energy Plan (NEP 2017) projects a domestic gas deficit this year with demand outstripping production significantly by 2050.

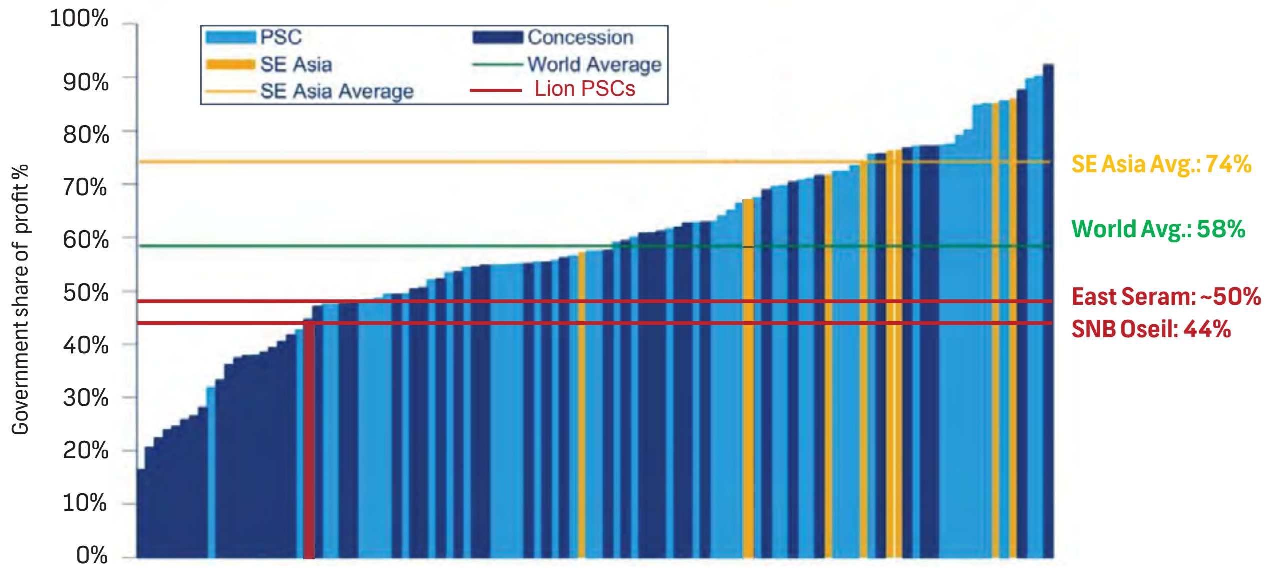
We are positioning Lion to take advantage of global, regional and country specific opportunities in energy demand, and the movement away from coal to gas and renewables.

Against that market backdrop, our on the ground experience indicates that there has been an actual improvement in the investment climate for Indonesian oil and gas investments driven by the new gross split oil and gas PSC regime combined with tight energy market dynamics. We are excited to partake in a renewal of the industry.

Under the new gross split tax and royalty PSC regime, there is much reduced government oversight relating to contracting. In particular, approvals for fixed expenditures, tendering and annual budgets are simplified and streamlined. Under the old regime, such items required adherence to strict process guidelines to acquire government approval. Now they largely require simple internal joint venture approvals.

More importantly, we believe that the Seram (Non-Bula) PSC Oseil field, which sets a benchmark for other Seram Island projects, far exceeds world averages and Southeast Asian averages in terms of post-tax contractor fiscal take. This makes resource development on Seram Island a very exciting and commercially attractive endeavor.

Lion Gross Split PSC government share relative to world fiscal map



Source: Wood Mackenzie Fiscal Benchmarking Tool, 2014
Government take calculation for a 250bcf gas field in shallow water (<400m) in a medium cost environment and a gas price of US$6/mmbtu.
East Seram fiscal term estimates based up on management estimates drawing on experience from the Seram Non-Bula gross split PSC

We are positioning Lion to take advantage of global, regional and country specific opportunities in energy demand

Chairman's Message

2019 Operational Highlights

Lion participated in oil production and workover activities in the Seram (Non-Bula) PSC in 2019. Gross production was 0.629 million barrels (average 1,725 bopd) for the year, a natural decline of only 10.2 % over the previous year. This compared with 2018 production of 701,107 barrels or 1,921 bopd, a 32% decline over 2017. Gross crude oil liftings for the year were 476,384 barrels (Lion net share 11,240 barrels after GOI entitlement). A lifting of gross 155,238 barrels was completed on 2 January 2020, representing the bulk of crude oil inventory remaining at 31 December 2019. Operating costs for the production operations was $23.84/bbl (down from $25.76/bbl in the previous year, despite the 10.2% production decline).

Lion had announced in December 2018 that its subsidiary company executed a conditional sale and purchase agreement for the acquisition of a further 16.5% interest in the Seram (Non-Bula) PSC from Kuwait based Gulf Petroleum Investment Company ("GPI"). The deal was subject to various conditions including approval from the Government of Indonesia ("GOI"). Approval from the GOI was not forthcoming for technical reasons. Lion and GPI agreed to terminate the deal in September 2019.

The East Seram PSC was signed in July 2018 with Lion having a 100% participating interest. Lion announced in September 2019 the farming out of a 40% participating interest to OPIC East Seram Corporation ("OESC"), a subsidiary of Taiwan's CPC Corporation. The farmout is conditional upon the approval of the GOI, which is expected imminently.

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

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

Operationally, Lion significantly progressed seismic planning in 2019 including completing geological and geophysical work to identify key seismic areas to cover high graded prospects and leads as well as the extensions of the producing Bula oil field. Strong progress was made during the year on seismic planning including permitting, environmental impact studies, interaction with prospective seismic acquisition and processing contractors.

The East Seram PSC operates under a gross split PSC system and Lion is operating under reduced bureaucratic burden and internationally competitive fiscal terms. The JV has a modest work commitment of 500km of 2D seismic.

New Strategy in Action

A strategic review was undertaken in 2018 and the Company decided to direct its resources towards acquiring oil and gas producing assets in Southeast Asia, whilst looking to dispose those assets considered non-core. The disposal of non-core assets was completed in 2018 and the company has aggressively pursued its new East Seram PSC (including organic investment and a farmout deal) whilst retaining the Seram (Non-Bula) PSC core production and cash flow interest. We plan to further build our portfolio via the acquisition or farm-in of additional interests in producing assets and other opportunities considered complimentary to the Company's revised strategy.

In Closing...

I have been an oil industry executive for 16 years having served for listed and private companies in Indonesia, USA, Singapore and Australia over that time. I have lived through three major oil price cycles and the related ebbs and flows of investor sentiment and we are going through an unusual down cycle now which combines short term demand destruction (due to the COVID-19 virus) with the collapse of the OPEC+ group which is adding supply. The market will likely adjust quickly to a new reality with prices likely to trade in the US$/bbl 40-50 range. These market adjustments create both challenges and opportunities.

I plan to continue to make Lion relevant in this space and to create value for shareholders along the way. I would like to take the opportunity to thank all shareholders for their ongoing patience and belief in the company.

Sincerely

Tom Soulsby
Executive Chairman

LEADERSHIP TEAM

Tom Soulsby

Executive Chairman

Tom Soulsby was appointed Executive Chairman on 13 February 2018.

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

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

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

Damien Servant

Executive Director

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

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

Russell Brimage

Non-executive Director

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

Chris Newton

Non-executive Director

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

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

Leadership Team

Zane Lewis

Non-executive Director and Joint Company Secretary
Mr Lewis is the Company Secretary of Lion Energy and has over 20 years of corporate advisory experience with ASX and AIM listed companies.

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

Arron Canicais

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

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

Seram (Non-Bula) PSC

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

The major equity holder and Operator of the Joint Venture is CITIC Seram Energy Limited (41%). Other partners include PT Petro Indo Mandiri (30%) and Gulf Petroleum Investment (16.5%). The block contains the Oseil oilfield and surrounding structures that produced at an average rate of 1725 bopd during 2019 (41 bopd net to Lion). Since initial field start-up in January 2003, the field has produced 18,079,165 barrels of crude oil at 2019 calendar year end. The block contains the Lofin gas discovery which the joint venture appraised in 2014-15 with the highly successful Lofin-2 well. The 100% 2C contingent resource for Lofin is 2.02 tcf gas with 18.3 mmbbl of associated condensate, a significant onshore gas discovery. The PSC extension granted in 2018 commenced 1st November 2019 for a further 20 year term.

Reserves

Reserves have been updated from the 31 December 2017 estimate (conducted by US experts, DeGoyler & McNaughton) to account for production from the effective date of the report to 31 December 2019 with some adjustments made with confirmation of extension of the Seram (Non-Bula) PSC beyond October 2019, during 2018.

Oseil Area Reserves[1] (mmbl)

	Reserves (Gross) 100%			Reserves (net to Lion working interest)		
	Proven (1P)	Proven & Probable (2P)[2]	Proven, Prob & Poss. (3P)[2]	Proven (1P)	Proven & Probable (2P)[2]	Proven, Prob & Poss. (3P)[2]
EOY 2018	1,411	3,406	4,811	35.3	85.2	120.3
Production	-630	-630	-630	-15.7	-15.7	-15.7
Revision	0	0	0	0	0	0
EOY 2019	781	2,776	4,181	19.5	69.4	104.5

1. 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 geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.

Seram (Non-Bula) PSC

Oseil Area Contingent Resources (mbbl)

	Contingent Oil Resources[4,5] (Gross)			Contingent Oil Resources[4,5] (Net to Lion working interest)		
	1C / P90	2C / P50	3C / P10	1C / P90	2C / P50	3C / P10
EOY 2018	140	837	10,184	3.5	20.9	254.6
Revision	0	0	0	0	0	0
EOY 2019	140	837	10,184	3.5	20.9	254.6

2. Hydrocarbon reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the company's operations.
3. Incremental probable (2P) and possible (3P) reserves assume further development drilling is undertaken which are part of an approved Plan of Further Development in the Oseil 2 area.
4. Reserves have been estimated using the deterministic method.
5. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
6. Contingent Resources comprise oil potential from existing fields which will require further, yet to be approved, development drilling and other undeveloped oil fields.
7. No estimate has been presented in this table for the Dawang gas field or the Lofin gas/condensate field. For estimates relating to Lofin, please refer to table of Lofin resource estimate on page 15.

Seram (Non-Bula) PSC

Production

Production for the reporting period from 1 January 2019 to 31 December 2019 for the Oseil oilfield and surrounding structures was 629,743 barrels of crude oil at an average daily rate of 1725 bopd (41 bopd net to Lion). This compares to an average daily rate of 1921 bopd (45 bopd net to Lion) for calendar year 2018 reporting period, a 10.2% decrease year on year.

The joint venture continues to focus on operating cost reduction. Despite a 10.2% decline in production, operating costs per barrel declined from $25.76 in 2018 to $23.84 in 2019. The Operator continues efforts to reduce operating expenditure whilst maximizing production.

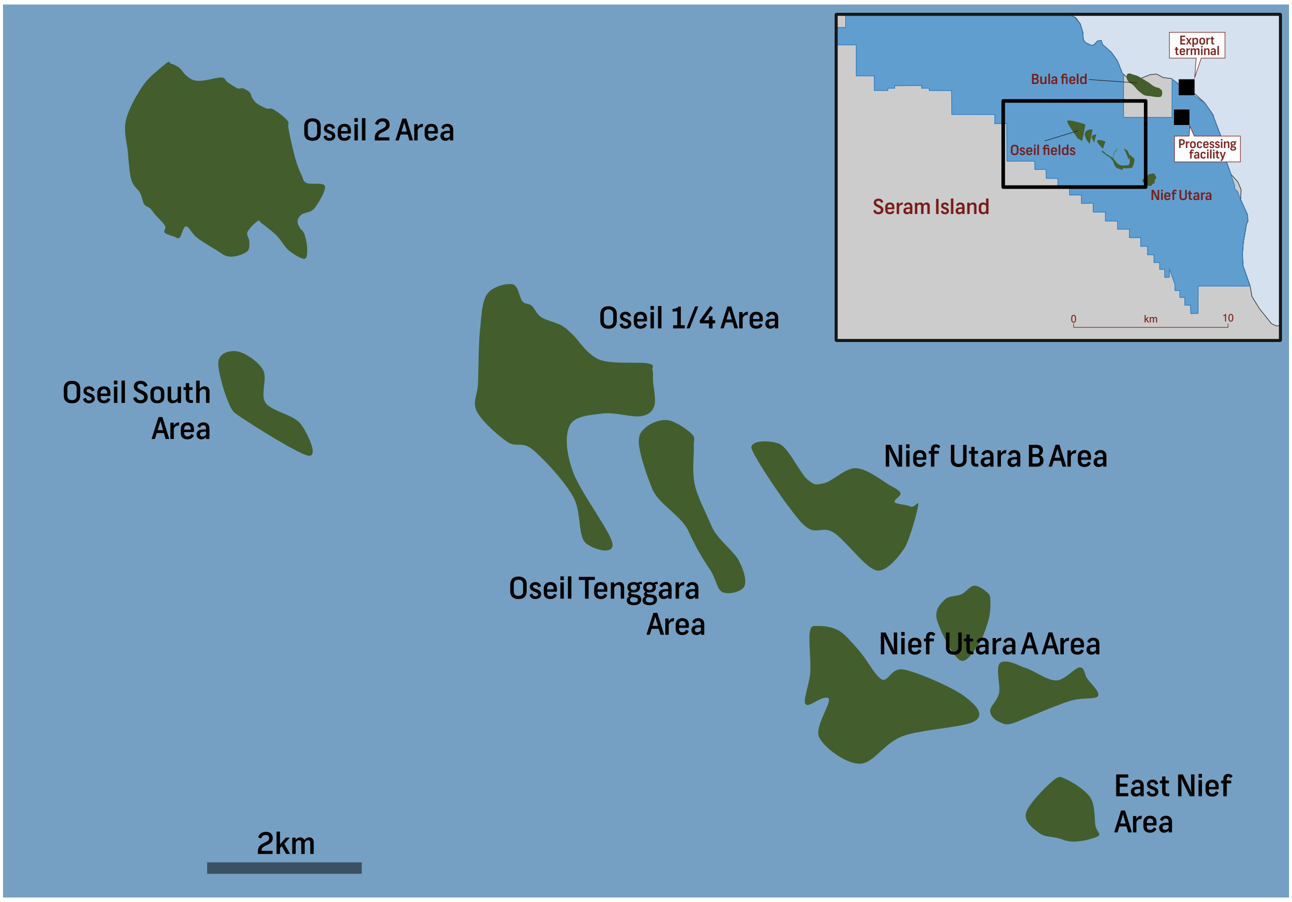
One crude oil lifting, with details below, was completed in 2019.

Date of Lifting	Crude oil lifted (bbl)	Revenue (Net to Lion) USD
2 October 2019	476,384	$534,521

A further crude oil lifting of 155,268 bbls was completed 2 January 2020, with revenue to be accounted for in the 2020 financials. This lifting reduced the crude oil available for lifting in stock, produced during 2019, to 2,042 bbls

Note: Revenue is before deduction of Indonesian Government entitlement.

Seram (Non-Bula) PSC



Lofin Gas Discovery

In 2015 the Lofin-2 appraisal well confirmed a material gas discovery with a contingent gas resource (2C) of 2.02 tcf and 18.3 mmbbl associated condensate (Lion share 50 bcf gas and 0.5 mmbbl condensate).

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

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

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

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

Lofin-2 delineated a continuous gas column of up to approximately 1300m for the large Lofin structure and provided critical new information on porosity of the Manusela limestone, net/gross within the hydrocarbon column, fracture density, hydrocarbon saturation and fluid type. The Operator is planning further well testing of Lofin-2 in 2020 to investigate reservoir deliverability and pressure support to help with commercialization plans.   A large 3D seismic survey is being planned for 2021 to enable planning of additional appraisal and development wells and to enable full field development Lofin Resource Estimate

Seram (Non-Bula) PSC

The Lofin Field 100% 2C Contingent Resource is estimated to be 345.9 mmboe (8.65 mmboe net to Lion) following drilling of the Lofin-2 appraisal well. The resource estimates for gas and condensate are classified as contingent resources as there is no certainty of development due to various factors including, amongst others, economic, regulatory, market and facility, and corporate commitment.

An overview of contingent resources for the Lofin Field (100% and Lion working interest share) compiled by Lion in accordance with SPE-PRMS classification is shown below:

In-place and Contingent Resources[1,7,8,9]
Lofin Field, Seram (Non-Bula) Block PSC, Seram Island, Indonesia
(as at 31 December 2015)

Manusela Formation Reservoir	Gross (100%) PSC			
	In-place		Recoverable[3,4]	
	Low	Mid	1C	2C
	(P_{90})	(P_{50})	(P_{90})	(P_{50})
Gas (bcf)	1337	3070	880	2020
Condensate[2] (mmbbl)			8.0	18.3
Total (mmboe)[6]	222.8	511.7	145.5	345.9
Manusela Formation Reservoir	**Net to Lion Working Interest (2.5%)**			
	In-place		Recoverable[3,5]	
	Low	Mid	1C	2C
	(P_{90})	(P_{50})	(P_{90})	(P_{50})
Gas (bcf)	33.43	76.75	21.99	50.50
Condensate[2] (mmbbl)			0.20	0.46
Total (mmboe)[6]	5.57	12.79	3.64	8.65

1. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources. There is no certainty that any portion of the contingent resources will be developed or, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
2. The condensate is associated with the gas discovery and is estimated from a yield of 8.5 bbl/mmcf.
3. Recoverable hydrocarbon gas volumes have been reduced to account for shrinkage due to condensate recovery.
4. These are the gross recoverable volumes, (i.e., 100% working interest) estimated for the Lofin Area, without any adjustments for company working interest or government entitlement.
5. These are the Company gross recoverable volumes estimated for the Lofin Area, adjusted for company working interest (i.e., 2.5% working interest) but without adjustments for government entitlement.
6. "mmboe" is Million Barrels of Oil Equivalent. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf:1 bbl is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
7. 1C Contingent Resource estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate. The C1 drainage area is a cylinder based on the lowest tested gas and a radius of 1,875m.
8. 2C Contingent Resource estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
9. Resources are calculated deterministically.

East Seram PSC

East Seram PSC

The East Seram PSC was signed on 17 July 2018 with Lion holding a 100% participating interest. The East Seram PSC operates under the new gross split PSC system that facilitates the Operator, Lion, to operate under reduced bureaucratic and administrative burden, with internationally competitive fiscal terms. The JV has a modest work commitment of 500km of 2D seismic to be acquired within the first three year primary term.

Lion announced in September 2019 the farming out of a 40% participating interest to OPIC East Seram Corporation ("OESC"), a subsidiary of Taiwan's CPC Corporation. The farmout is conditional upon the approval of the GOI, which is expected imminently.

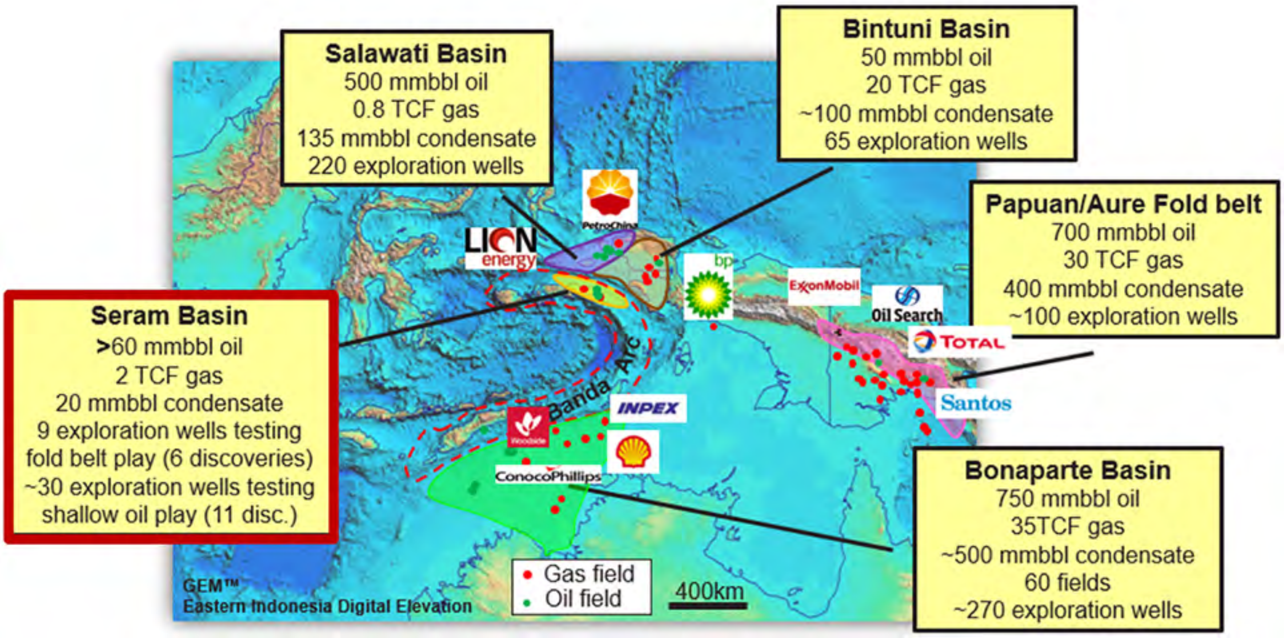
In consideration for earning a 40% participating interest, OESC agreed to pay back costs of approximately $0.94 million plus 40% share of the performance bond collateral, being $0.15 million. OESC also committed to pay 80% of total seismic costs up to $8.5 million and to fund 40% of geological and geoscience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

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

Operationally, Lion significantly progressed seismic planning in 2019 including completing G&G work to identify key seismic areas to cover high graded prospects and leads as well as the extensions of the producing Bula oil field. Strong progress was made during the year on seismic planning including permitting, environmental impact studies, interaction with prospective seismic acquisition and processing contractors.

Technical overview

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



The East Seram block contains two main proven plays:

- The Triassic to Early Jurassic Manusela limestone oil and gas play is the primary reservoir objective with over 430mmboe discovered to date in the basin including the producing Oseil field and the Lofin gas field discovery. All 6 wells that have intersected the Manusela limestone to date in the area have been discoveries. The limestone is often fractured resulting in good flow rates. MA-7 is the highest ranked lead and is expected to be oil prone with reservoir objective estimated at approximately 1500m.
- A shallow Plio-Pleistocene oil play with sandstone & carbonate objectives in the Fufa Formation. The play includes the 20 mmbbl producing Bula Oil field. The East Seram PSC includes the undrilled potential offshore extension of this field. In addition theare are a number of attractive on and offshore propsects and leads including the PP-4 lead with areal extent of up to 30km^2.

A key target in the East Seram PSC is the under-explored fold belt that hosts the Manusela reservoired Oseil and Lofin fields. Technical work, including a major structural study conducted by Lion, highlights similarities of the Seram fold belt, in terms of geological age, paleo-geographic setting, fractured Jurassic limestone reservoir and Triassic-Jurassic source rock type, to world- class fold belt plays in Iran (Zagros fold belt) and in Pakistan (Sulaiman fold belt).

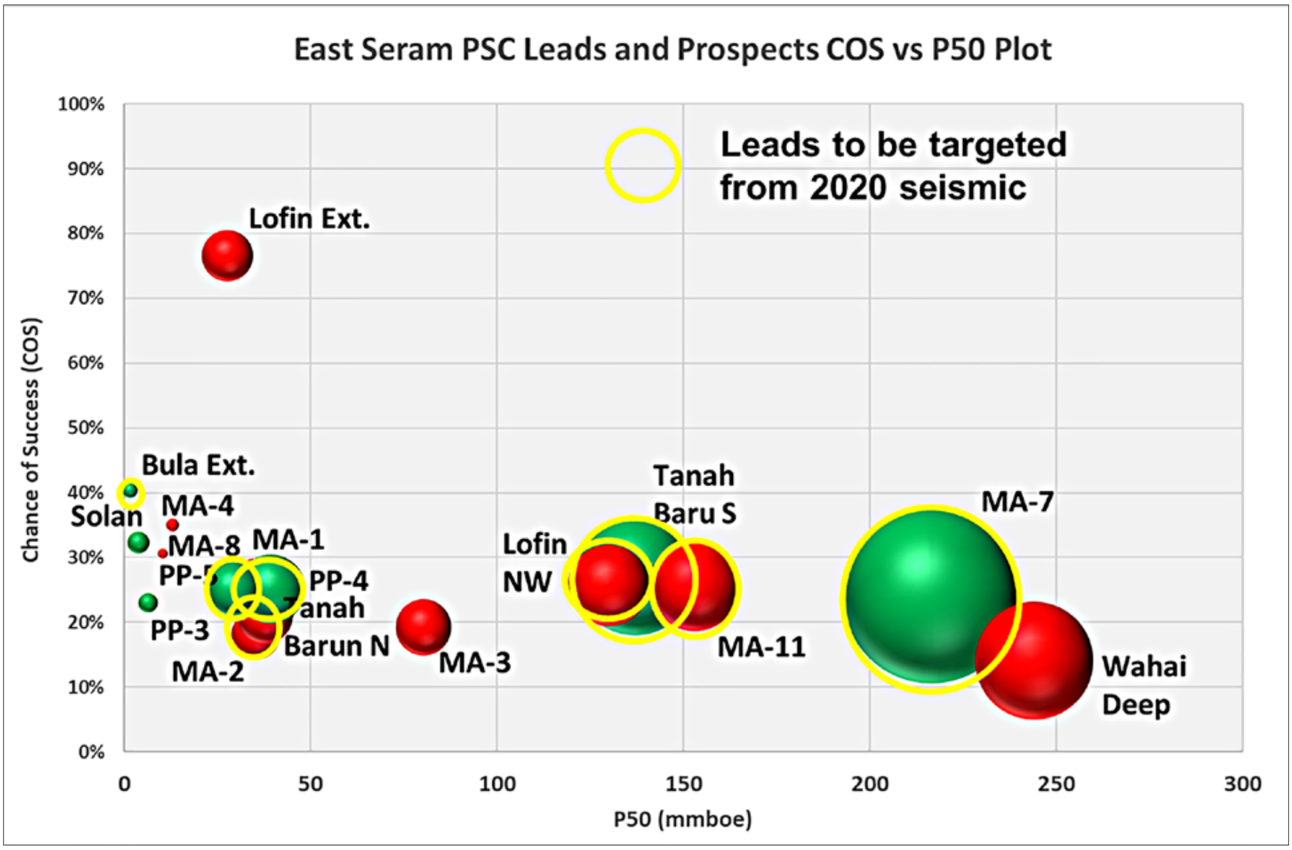
East Seram PSC

Portfolio

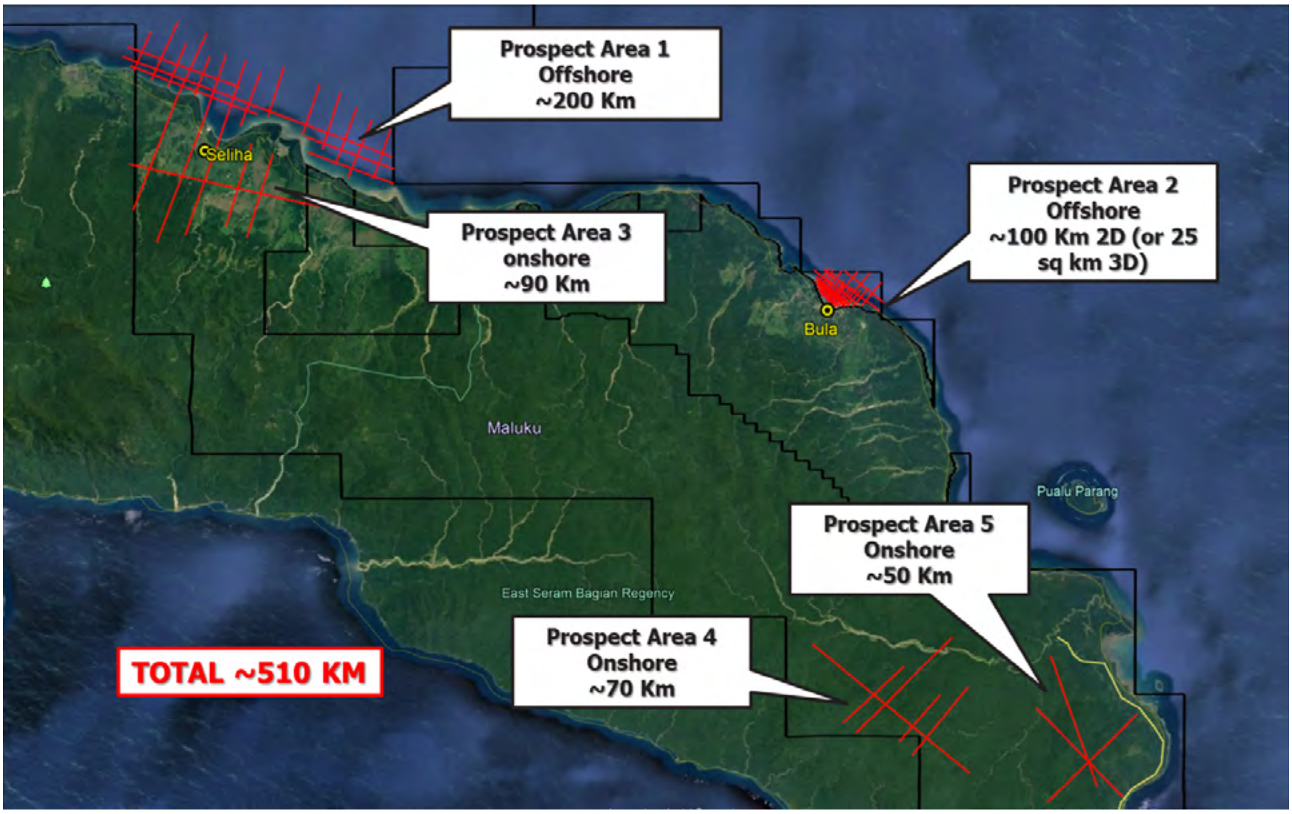
A total of 18 prospects and leads are currently characterised in the East Seram PSC and 8 of these will be targeted by the planned 2020 seismic program. Details are shown in the Reserves and Resource section of this report.

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

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



Lion made excellent progress in preparation for the seismic surveys to be undertaken in Q3/Q4, 2020. This includes recruiting a highly experienced Seismic Operation Manager along with a strong Indonesian based team. The offshore component of the seismic program, consisting of approximately 300km high resolution 2D data is planned for Q3/Q4 2020. This seismic acquisition program targeting the shallow Plio-Pleistocene stratigraphy that hosts the 20 mmbbl Bula Oil Field, consists of ~200km seismic in Prospect Area 1 to investigate PP4 and PP5 leads and potential additional structures on trend. A further ~100km offshore seismic is planned in the Bula Bay area (Prospect Area 2) targeting the offshore extension of the Bula field and other shallow leads. The onshore seismic program, also being planned for Q3/Q4 2020, is targeting the deeper Manusela play. It consists of ~210 km 2D seismic with approximately 90 km covering the MA-10 and MA-11 leads close to the Lofin field in Prospect Area 3. A further 110 km of seismic is programmed for the anticipated more oil prone southeast of the PSC to cover additional exciting leads including the large (up to 50 km2) MA-7 lead in Prospect Area 4 and the Tanah Baru North and South leads in Prospect Area 5. The current proposed program is shown in the following figure. The survey is aimed to high grade the portfolio and result in a number of world-class, drill ready prospects.



Planned 2020 Seismic Program

A number of successful trips were undertaken to Seram during the year for scouting, planning and community liaison and socialization purposes, The Environmental baselines survey has been completed and forestry permitting work is well advanced . Initial meetings have been held with seismic contractors during the year and post year-end invitation to tender have been sent out to short listed seismic contractors.

East Seram PSC

East Seram PSC Prospective Resource [1,2,3]		100% Prospective Resource									
		HC Gas Recoverabe			Oil/ Cond Recoverable			Combined[4] mmboe			COS[5]
Lead/ Prospect	Target	Low P90	Best P50	High P10	Low P90	Best P50	High P10	Low P90	Best P50	High P10	%
Fold Belt Play											
MA-7	Manusela carbonate	33.7	160.6	748.3	39.4	189.8	881.4	45.2	216.6	1006.1	24%
Wahai Deep	Manusela carbonate	196.4	689.6	2632.9	34.1	129.1	466.8	66.8	244.1	905.6	14%
MA-11	Manusela carbonate	164.2	587.4	2017.5	15.9	55.1	184.3	43.3	153.0	520.5	26%
Tanah Baru S	Manusela carbonate	77.4	281.9	911.1	22.7	90.0	339.1	35.6	137.0	490.9	24%
Lofin NW (MA10)	Manusela carbonate	147.6	485.6	1623.5	13.9	49.0	146.71	38.5	129.9	417.3	20%
MA-3	Manusela carbonate	62.5	236.3	860.1	10.7	40.9	143.5	21.1	80.3	286.8	19%
MA-8	Manusela carbonate	26.1	100.8	359.6	5.3	21.0	81.2	9.7	37.8	141.1	21%
MA-2	Manusela carbonate	23.8	96.4	349.6	4.8	19.2	75.0	8.8	35.2	133.3	18%
Tanah Baru N	Manusela carbonate	36.1	123.7	424.6	4.6	17.5	61.1	10.6	38.1	131.9	20%
MA-1	Manusela carbonate	32.1	100.4	294.6	5.4	17.8	53.3	10.8	34.5	102.4	27%
Lofin Extension[6]	Manusela carbonate	69.2	154.4	291.7	0.9	2.0	3.9	12.4	27.7	52.5	75%
MA-4	Manusela carbonate	18.2	58.8	176.0	0.9	3.3	9.7	3.9	13.0	39.0	35%
MA-4 NE	Manusela carbonate	14.5	41.5	122.6	1.1	3.5	11.0	3.5	10.4	31.4	31%
Shallow Play											
PP-4	Fufa sst/carbonate	3.7	11.6	35.9	10.5	37.4	130.2	11.1	39.3	136.2	25%
PP-5	Fufa sst/carbonate	3.9	8.2	19.5	10.7	28.0	71.5	11.4	29.3	74.8	25%
PP-3	Fufa sst/carbonate				3.1	6.4	13.1	3.1	6.4	13.1	23%
Solan	Fufa Sst	0.7	1.5	3.6	1.5	3.6	8.7	1.6	3.8	9.3	32%
Offshore Bula Extension	Fufa sst/carbonate				0.5	1.6	4.8	0.5	1.6	4.8	43%
Combined		**909.9**	**3138.6**		**186.0**	**715.1**	**2685.2**	**337.8**	**1238.2**	**4497.0**	**27%**

East Seram PSC Prospective Resource Summary

Notes:

1. 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 geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.
2. Prospective resources in this Table have been estimated probabilistically at lead level but combined arithmetically to provide the portfolio number. The aggregate P90 may be a very conservative estimate and the aggregate P10 may be a very optimistic estimate due to the portfolio effects of arithmetic summation.
3. Closure areas for individual leads are based on seismic interpretation with realistic low side and high side estimates. Other key parameters, such as net pay, porosity, hydrocarbon saturation and oil versus gas ratios, used to calculate prospective resource are taken from known field data and regional trends.
4. Conversion for gas factor of 6mcf=1boe used to convert gas to barrels of oil equivalent (boe).
5. Chance of success (chance of geological discovery): The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum
6. Lofin Field Extension potential in East Seram PC potential currently assigned as prospective resource rather than contingent resource pending further analysis.

New Business Opportunities

Lion continued to actively review new business opportunities through 2020 with a focus on acquiring production assets.

GLOSSARY

bbl: barrel

bcf: billion cubic feet

bopd: barrels oil per day

CNG: compressed natural gas

GWC: gas water contact

LNG: liquefied natural gas

mbbl: thousand barrels

MD: measured depth

mmbbl: million barrels

mmscfgd: million standard cubic feet of gas per day

ppg: pounds per gallon

PSC: production sharing contract

psi: pounds per square inch

POFD: plan of further development

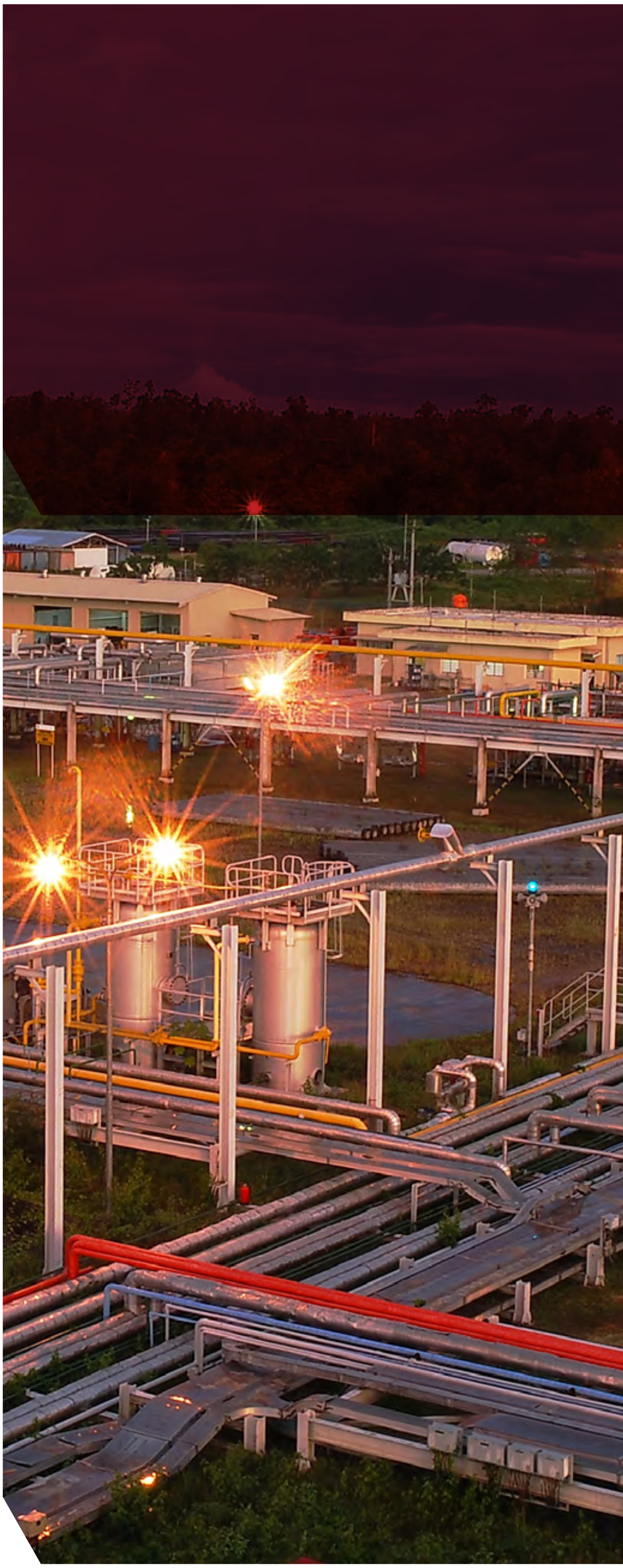
sq.km: square kilometers

ss: subsea

tcf: trillion cubic feet

TD: total depth

TVD: true vertical depth



RESERVES AND RESOURCES

Table 1 East Seram PSC Prospective Resource Summary													
Resources	Play	100%						Lion WI Share					
		Gas/Associated Gas Recoverable (BCF)			Oil/ Condensate Recoverable (MMbbl)			Gas/Associated Gas Recoverable (BCF)			Oil/ Condensate Recoverable (MMbbl)		
Reserves[1]		1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Oseil Area Developed[2]	Manusela				1.131	2.082	2.084				0.028	0.052	0.052
Oseil Area Developed[3]	Manusela				0.281	1.598	2.728				0.007	0.040	0.068
Total Reserves					**1.412**	**3.680**	**4.812**				**0.035**	**0.092**	**0.120**
Contingent Resources[4]		1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Seram Oseil Area	Manusela	0.39	1.34	10.36	0.14	0.83	10.18	0.01	0.03	0.2590	0.004	0.021	0.255
Seram PSC Lofin Field	Manusela	879.50	2020.10	NA	7.95	18.25	NA	21.99	50.50		0.199	0.456	
Total Contingent Resources		**879.89**	**2021.44**	**10.36[5]**	**8.09**	**19.08**	**10.18[5]**	**21.997**	**50.536**	**0.259[5]**	**0.202**	**0.477**	**0.255[5]**

Notes:

1. Reserve estimates have been calculated using the deterministic method. Analysis of performance trends were used to estimate proved developed reserves. The performance trends associated with new well were used to assess how wells scheduled for future drilling would perform for the purpose of estimating proved undeveloped reserves as well as the probable and possible reserves associated with the future wells. Reserves were estimated only to the expiration date of the PSC.
2. Developed reserves include forecast production from existing Oseil 2 and Oseil11&4 areas beyond the Oct 2019 with the renewal of the Seram (Non-Bula) PSC announced during 2018.
3. Includes undeveloped reserves which are quantities expected to be recovered through future investments: (a) from new wells on undrilled acreage in known accumulations, (b) from deepening existing wells to a different (but known) reservoir, (c) from infill wells that will increase recovery, or where a relatively large expenditure is required to either recomplete an existing well or install production or transportation facilities for primary or improved recovery projects. Amounts included in this table refer to reserves from the Oseil-2 area which are planned to be targeted by an approved Plan of Further Development.
4. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
5. 3C Contingent Resources have not been calculated for the Lofin Field. The 3C number provided refers to Oseil area only.

Resources	Play	100%						Lion WI Share					
		Gas/Associated Gas Recoverable (BCF)			Oil/ Condensate Recoverable (MMbbl)			Gas/Associated Gas Recoverable (BCF)			Oil/ Condensate Recoverable (MMbbl)		
Prospective Resources[6,7]		Low P90 (1U)	Best P50 (2U)	High P10 (3U)	Low P90 (1U)	Best P50 (2U)	High P10 (3U)	Low P90 (1U)	Best P50 (2U)	High P10 (3U)	Low P90 (1U)	Best P50 (2U)	High P10 (3U)
Seram (Non-Bula) PSC													
Bula Dangkal	Kanikeh/ Manusela				1.9	8.2	25.9				0.046	0.20	0.65
East Seram PSC (Lion 100%, On Formal Government approval of farmout to OESC Lion's WI will drop to 60%)													
MA7	Manusela	33.7	160.6	748.3	39.4	189.8	881.4	33.7	160.6	748.3	39.4	189.8	881.4
Wahai Deep	Manusela	196.4	689.6	2632.9	34.1	129.1	466.8	196.4	689.6	2632.9	34.1	129.1	466.8
MA 11	Manusela	164.2	587.4	2017.5	15.9	55.1	184.3	164.2	587.4	2017.5	15.9	55.1	184.3
Tanah Baru S	Manusela	77.4	281.9	911.1	22.7	90.0	339.1	77.4	281.9	911.1	22.7	90.9	339.1
Lofin NW (MA 10)	Manusela	147.6	485.6	1623.5	13.9	49.0	146.7	147.6	485.6	1623.5	13.9	49.0	146.7
MA 3	Manusela	62.5	236.3	860.1	10.7	40.9	143.5	62.5	236.3	860.1	10.7	40.9	143.5
Tanah Baru N	Manusela	36.1	123.7	424.6	4.6	17.5	61.1	36.1	123.7	424.6	4.6	17.5	61.1
MA 2	Manusela	23.8	96.4	349.6	4.8	19.2	75.0	23.8	96.4	349.6	4.8	19.2	75.0
MA 8	Manusela	23.8	96.4	349.6	4.8	19.2	75.0	23.8	96.4	349.6	4.8	19.2	75.0
MA 1	Manusela	32.1	100.4	294.6	5.4	17.8	53.3	32.1	100.4	294.6	5.4	17.8	53.3
Lofin Extension[8]	Manusela	69.2	154.4	291.7	0.9	2.0	3.9	69.2	154.4	291.7	0.9	2.0	3.9
MA 4	Manusela	18.2	58.8	176.0	0.9	3.3	9.7	18.2	58.8	176.0	0.9	3.3	9.7
MA 4 NE	Manusela	14.5	41.5	122.6	1.1	3.5	11.0	14.5	41.5	122.6	1.1	3.5	11.0
PP4	Plio-Pleistocene	3.7	11.6	35.9	10.5	37.4	130.2	3.7	11.6	35.9	10.5	37.4	130.2
PP5	Plio-Pleistocene	3.9	8.2	19.5	10.7	28.0	71.5	3.9	8.2	19.5	10.7	28.0	71.5
PP3	Plio-Pleistocene				3.1	6.4	13.1	0.0	0.0	0.0	3.1	6.4	13.1
Solan	Plio-Pleistocene	0.7	1.5	3.6	1.5	3.6	8.7	0.7	1.5	3.6	1.5	3.6	8.7
Offshore Bula	Plio-Pleistocene				0.5	1.6	4.8	0.0	0.0	0.0	0.5	1.6	4.8
Sub-total East Seram PSC		907.7	3134.2	10860.8	185.5	713.3	2679.0	907.7	3134.2	10860.8	185.5	713.3	2679.0
Total Prospective Resource		**907.7**	**3134.2**	**10860.8**	**187.3**	**721.4**	**2704.9**	**907.7**	**3134.2**	**10860.8**	**185.5**	**713.5**	**2679.6**

6. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery (geological chance of success or GCOS) and a chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. There is no certainty that any portion of the prospective resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
7. Prospective Resources in this Table have been estimated probabilistically at lead level but combined arithmetically to provide the portfolio number. The aggregate P90 may be a very conservative estimate and the aggregate P10 may be a very optimistic estimate due to the portfolio effects of arithmetic summation.

Competent Persons Statement

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

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

For the Seram (Non-Bula) PSC the Oseil field reserves and contingent resources have been adjusted for production through 2018. A Lofin Contingent Resource estimate was organised by the Operator of the project after completion of the Lofin-2 appraisal well. This estimate was undertaken by independent third party resource evaluators. Results are reviewed and compiled internally by Lion Energy, overseen by the Exploration Manager who is a petroleum reserves and resources evaluator qualified in accordance with ASX Listing Rule requirements.

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

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

Financial Report 2019

For the period 1 January to
31 December 2019

Lion Energy Limited
ABN 51 000 753 640

DIRECTOR'S REPORT

The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company" or "Lion") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity" or "the Group") for the year ended 31 December 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 in office at any time during or since the financial period and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

Russell Brimage
Thomas Soulsby
Christopher Newton
Damien Servant
Zane Lewis

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The net loss for the Consolidated Entity, after income tax amounted to $778,200 for the year ended 31 December 2019 (2018: $727,683).

DIVIDENDS

No dividends have been paid or declared since the start of the financial period by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the year ended 31 December 2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

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

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

Lion participated in oil production and workover activities in the Seram (Non-Bula) PSC in 2019. Gross production from the Seram (Non-Bula) PSC was 0.629 million barrels (average 1,725 bopd) for the year, a reduced natural decline of some 10.2% over the previous year. This compared with 2018 production of 701,107 barrels or 1,921 bopd, which was a 32% decline over 2017.

Gross crude oil liftings for the year from the Seram (Non-Bula) PSC were 476,384 barrels (Lion net share 11,240 barrels after Government of Indonesia ("GOI") entitlement). A lifting of gross 155,238 barrels was completed on 2 January 2020, representing the bulk of crude oil inventory remaining at 31 December 2019.

Operating costs for the production operations was $23.84 (down from $25.76 in the previous year, despite the 10.2% production decline).

Lion had announced in December 2018 that its subsidiary executed a conditional sale and purchase agreement for the acquisition of a further 16.5% interest in the Seram (Non-Bula) PSC from Kuwait based Gulf Petroleum Investment Company ("GPI"). The deal was subject to various conditions including approval from the Government of Indonesia ("GOI"). Approval from the GOI was not forthcoming for technical reasons. Lion and GPI agreed to terminate the deal in September 2019.

EAST SERAM PSC (LION 60%, SUBJECT TO FINAL GOI APPROVAL)

The East Seram PSC was signed in July 2018 with Lion having a 100% participating interest. Lion announced in September 2019 the farming out of a 40% participating interest to OPIC East Seram Corporation ("OESC"), a subsidiary of Taiwan's CPC Corporation. The farmout is conditional upon the approval of the GOI, which is expected imminently.

In consideration for OESC getting a 40% participating interest, OESC agreed to pay back costs of approximately $0.94 million plus its 40% share of performance bond collateral, being $0.15 million. OESC also committed to pay 80% of total seismic costs up to $8.5 million gross and to fund 40% of geological and geoscience ("G&G") costs and related administrative costs from 1 September 2018. In addition, OESC will advance 20% of Lion's well costs for any follow up exploration well up to $1.2 million, repayable out of production. Total receipts from the farmout were $1.38 million.

The new joint venture (JV) signed a Joint Operating Agreement in November 2019.

Operationally, Lion significantly progressed seismic planning in 2019 including completing G&G work to identify key seismic areas to cover high graded prospects and leads as well as the extensions of the Bula oil field. Strong progress was made during the year on seismic planning including permitting, environmental impact studies, interaction with prospective seismic acquisition and processing contractors.

The East Seram PSC operates under a gross split PSC system and Lion is operating under reduced bureaucratic burden and internationally competitive fiscal terms. The JV has a modest commitment of 500km of 2D seismic.

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. Also, in March 2020, negotiations between Russia and the Organisation of the Petroleum Exporting Countries (OPEC) deteriorated changing oil supply to the global market and resulting in a rapid decline in oil price.

The direct effect of the COVID-19 outbreak is still being understood by the business as it continues to navigate the uncertainties of executing on its business and exploration plans. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is currently not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case we note that the value of exploration and evaluation assets and inventory recorded in the statement of financial position and assessed for impairment qualitatively or net realisable value in line with the requirements of Australian Accounting Standards at 31 December 2019 may have materially changed by the date of this report.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 and steep oil price decline occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

LIKELY DEVELOPMENTS

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

EXPLORATION RISK

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

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

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

THOMAS LEO SOULSBY
DIRECTOR (EXECUTIVE CHAIRMAN)

Qualifications and Experience:

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

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

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

East Asian oil and gas conventional and unconventional portfolio in 2013. Mr Soulsby was a key driver for strategic stakes in both Tap Oil and Lion Energy for Risco.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Tap Oil Ltd (resigned 31 January 2018)
Interest in shares and options of the Company at the date of this report:	797,340
Directors meetings attended:	2 of 2 held during term of directorship in financial period
Appointed:	10 January 2014

RUSSELL ERNEST BRIMAGE
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

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

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	None
Special Responsibilities:	None
Interest in shares and options of the Company at the date of this report:	5,061,637 Ordinary Shares
Directors meetings attended:	1 of 2 held during term of directorship in financial period
Director since:	2005

CHRISTOPHER BASIL NEWTON
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

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

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

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Tap Oil Ltd
Interest in shares and options of the Company at the date of this report:	437,340
Directors meetings attended:	2 of 2 held during term of directorship in financial period
Appointed:	10 January 2014

DAMIEN SERVANT
DIRECTOR (EXECUTIVE)

Qualifications and Experience:

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

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

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

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

\Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Nil
Interest in shares and options of the Company at the date of this report:	100,000
Directors meetings attended:	1 of 2 held during term of directorship in financial period
Appointed:	13 February 2018

ZANE LEWIS
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

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

Mr Lewis is a Non-Executive Director of Lion Energy Limited (ASX:LIO), Kingsland Global (ASX:KLO), Vital Metals (ASX:VML) and Flamingo AI Limited (ASX:FGO).

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

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

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	Kingsland Global Limited: current Vital Metals Limited: current Flamingo AI Limited: current Fraser Range Metals: resigned 24 December 2019 8Vic Limited: resigned 23 May 2019.
Interest in shares and options of the Company at the date of this report:	1,019,567 Ordinary Shares
Directors meetings attended:	2 of 2 held during term of directorship in financial period
Appointed:	13 February 2018

ZANE LEWIS
JOINT COMPANY SECRETARY

Qualifications and Experience:

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

Appointed: 28 March 2014.

ARRON CANICAIS
JOINT COMPANY SECRETARY

Qualifications and Experience:

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

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

Appointed: 1 July 2015.

DIRECTORS MEETINGS

During the period ended 31 December 2019, 2 meetings of directors were held. Previously and to date, due to the size of the company, there have been no board committees formed.

REMUNERATION REPORT (AUDITED)

The Directors present the remuneration report for the Company and the Consolidated Entity for the year ended 31 December 2019. This remuneration report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001* and details the remuneration arrangements for the key management personnel.

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

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

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

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

	31/12/19 12 months	31/12/18 12 months	31/12/17 12 months	31/12/16 12 months	31/12/15 18 months *
Loss after tax expenses	778,200	727,683	10,135,616	1,069,747	835,963
Loss per share – cents	0.38	0.54	9.21	1.10	0.87
Share price – cents	2.30	3.50	4.68	4.56	8.04

* The Consolidated Entity changed its year end from 30 June to 31 December; hence, the first year it changed covered 18 months.

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

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

SERVICE AGREEMENTS

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

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

* Effective 1 November 2019, it was agreed that $141,750 of Mr Thomas Soulsby's fees be paid out of the East Seram Joint Operation. Total annual remuneration for Mr Soulsby remains unchanged, however the total fees attributable to the Consolidated Entity per year is US $145,800.

** Effective 1 November 2019, it was agreed that $71,250 of Mr Damien Servant's fees be paid out of the East Seram Joint Operation. Total annual remuneration for Mr Servant remains unchanged, however the total fees attributable to Consolidated Entity per year is US $114,000.

*** In 2019 the Company entered into an extended services contract with Mr Newton for the management and promotion of the Company's interest in the East Seram Block. The terms of this contract are:

- Commencement date of 1 May 2019 for an initial term of six months from commencement date. This has been extended by 9 months.
- No retainer
- Success fee of up to 2% of funds contributed or committed by the farmor under a farmout agreement, subject to a minimum fee of $50,000

DETAILS OF REMUNERATION

Compensation 12 months to 31 December 2019

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

Compensation 12 months to 31 December 2018

	Short Term Benefits[1] $	Post employment benefits (super-annuation) $	Share based payments $	Termination benefits $	Total[2] $	% of remuneration that is equity based
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.						
Thomas Soulsby	169,875	-	1,758[5]	-	171,633	1.02%
Russell Brimage	45,583	184	527[5]	-	46,294	1.14%
Damien Servant	116,375	-	1,056[5]	-	117,431	0.90%
Zane Lewis	39,541	-	527[5]	-	40,068	1.32%
Christopher Newton	104,165	-	527[5]	-	104,692	0.50%
Kim Morrison[6]	11,633	6,644	-	28,334	46,611	-
Stuart Smith[6]	8,936	-	-	69,298	78,234	-
TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL	496,108	6,828	4,395	97,632	604,963	

Notes:

1. Short-term benefits represent salaries and/or fees paid to directors both in their capacity as employees and/or as consultants to the Company. There were no bonuses paid in 2019 (2018: $nil).
2. The Company also reimburses validly incurred business expenses of directors. These are not included in the table above.
3. During the year, Mr Thomas Soulsby and Mr Damien Servant were paid consulting fees from the East Seram Joint Operation of $23,625 and $11,875 respectively. The fees attributable to the Group for Mr Soulsby and Mr Servant was $14,175 and $7,125 respectively, which has been included in their reported compensation.
4. On 17 December 2019, the Board approved the payment of a $115,000 success fee to Mr. Newton in accordance with the terms of his service contract.
5. Represents the 6,250,000 performance rights issued in 2018, as approved by the shareholders in May 2018's annual general meeting. These performance rights did not vest and expired on 31 December 2018. There was no other equity compensation issued to directors or executives during the year ended 31 December 2019.

6. Mr Kim Morrison and Mr Stuart Smith both resigned as directors on 13 February 2018, and from that point on were deemed not key management personnel of the Company. As such, the remuneration included in the table above only includes compensation that each Mr Morrison and Mr Smith were entitled to up to the date of their resignation.

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	Number of Ordinary Shares			
	1 January 2019 or Appointment	Issued as Compensation	Net Change Other	31 December 2019 or Resignation
Thomas Soulsby	557,953	-	239,387	797,340
Russell Brimage	5,061,637	-	-	5,061,637
Damien Servant	-	-	100,000	100,000
Christopher Newton	437,340	-	-	437,340
Zane Lewis	1,019,567	-	-	1,019,567
	7,076,497	-	339,387	7,415,884

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

OTHER INFORMATION

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

A company associated with Mr Zane Lewis provides company secretarial and accounting services to Lion Energy Limited. The total fees charged to the Group relating to these services was USD $58,458.

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

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

At the last AGM, the shareholders voted to adopt the remuneration report for the year ended 31 December 2018. The company did not receive any specific feedback at the AGM regarding its remuneration policies.

End of Remuneration Report (Audited)

SHARE OPTIONS ISSUED AND OUTSTANDING

There were no share options on issue during the period ended 31 December 2019, or up to the date of this report.

SHARE OPTIONS EXERCISED

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial period, the Company paid premiums of $11,154 (2018: $8,431) in respect of a contract insuring all the directors and officers of the Company and the Consolidated Entity against legal costs incurred in defending proceedings for conduct other than (a) a wilful breach of duty and (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

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

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

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

PROCEEDINGS ON BEHALF OF COMPANY

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

INDEMNIFICATION OF AUDITORS

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

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the *Corporations Act 2001* section 307C the auditors of the Company have provided a signed Auditor's Independence Declaration to the directors in relation to the period ended 31 December 2019. A copy of this declaration appears at the end of this report.

NON-AUDIT SERVICES

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

Signed in accordance with a resolution of the directors.

Thomas Soulsby
Executive Chairman
31 March 2020
Perth, Western Australia

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the audit of the financial report of Lion Energy Limited for the financial year ended 31 December 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 audit; and

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

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

Ernst & Young

Ernst & Young

Darryn Hall

Darryn Hall
Partner
31 March 2020

DH:DA:LIO:008

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Entity 31 December 2019 $	Consolidated Entity 31 December 2018 $
Revenue	4	548,271	960,385
Cost of goods sold	4	(427,126)	(803,903)
GROSS PROFIT		**121,145**	**156,482**
Financing income	4	292	31
Gain on re-measurement of embedded derivative		-	342,204
Administration expenses	4	(866,024)	(1,232,607)
Interest expense		-	(524,779)
Foreign exchange gain/(loss)		(6,294)	99,419
Capitalised Exploration Expenditure Write Off Expense	11	-	(198,704)
Impairment – Oil & Gas Properties	12	(86,152)	-
Recovery of written off receivables		58,833	96,439
Gain on disposal of subsidiary		-	533,832
LOSS BEFORE INCOME TAX EXPENSE		**(778,200)**	**(727,683)**
Income tax benefit/(expense)	5	-	-
LOSS AFTER RELATED INCOME TAX EXPENSE		**(778,200)**	**(727,683)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(778,200)**	**(727,683)**
EARNINGS/(LOSS) PER SHARE			
BASIC LOSS PER SHARE (CENTS PER SHARE)	6	(0.38)	(0.54)
DILUTED LOSS PER SHARE (CENTS PER SHARE)	6	(0.38)	(0.54)

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Consolidated Entity 31 December 2019 $	31 December 2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19	1,669,266	1,054,515
Trade and other receivables	7	42,008	516,489
Inventories	8	465,285	317,424
TOTAL CURRENT ASSETS		**2,176,559**	**1,888,428**
NON-CURRENT ASSETS			
Plant and equipment	9	4,074	5,386
Receivables	10	597,250	497,250
Capitalised exploration and evaluation expenditure	11	1,359,160	1,042,236
Oil & gas properties	12	-	277,202
TOTAL NON-CURRENT ASSETS		**1,960,484**	**1,822,074**
TOTAL ASSETS		**4,137,043**	**3,710,502**
CURRENT LIABILITIES			
Trade and other payables	13	163,495	348,274
Advances	14	1,378,366	-
TOTAL CURRENT LIABILITIES		**1,541,861**	**348,274**
NON-CURRENT LIABILITIES			
Provision for restoration	15	193,710	182,556
TOTAL NON-CURRENT LIABILITIES		**193,710**	**182,556**
TOTAL LIABILITIES		**1,735,571**	**530,830**
NET ASSETS		**2,401,472**	**3,179,672**
EQUITY			
Issued capital	16	50,664,973	50,664,973
Reserves	17	2,840,100	2,840,100
Accumulated losses		(51,103,601)	(50,325,401)
TOTAL EQUITY		**2,401,472**	**3,179,672**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Entity 31 December 2019 $	31 December 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,022,753	801,113
Payments to suppliers and employees		(1,331,010)	(1,320,525)
Interest received		292	31
NET CASH USED IN OPERATING ACTIVITIES	19	**(307,965)**	**(519,381)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment		207	598
Proceeds from the farm-out of interest in exploration asset		1,378,366	-
Exploration and evaluation expenditure		(316,924)	(974,242)
Expenditure on oil and gas properties		(32,639)	(82,150)
Placement of performance bond collateral		(100,000)	(497,250)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**929,010**	**(1,553,044)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		-	625,801
Capital raising expenses		-	(4,230)
Proceeds from issue of convertible notes		-	1,656,321
NET CASH FROM FINANCING ACTIVITIES		-	**2,277,892**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**621,045**	**205,467**
Net foreign exchange differences		(6,294)	25,935
Cash and cash equivalents at beginning of period		1,054,515	823,113
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	**1,669,266**	**1,054,515**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Share Based Payment Reserve $	Currency Translation Reserve $	Accumulated Losses $	Total Equity $
AT 1 JANUARY 2018	**48,077,278**	**(27,070)**	**-**	**2,862,775**	**(49,597,718)**	**1,315,265**
Loss for the year	-	-	-	-	(727,683)	(727,683)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**-**	**-**	**-**	**(727,683)**	**(727,683)**
Securities issued	846,726	-		-	-	846,726
Equity raising costs	(4,230)	-		-	-	(4,230)
Performance rights issued	-	-	4,395	-	-	4,395
Issue of shares on conversion of convertible loans	1,745,199	-	-	-	-	1,745,199
AT 31 DECEMBER 2018	**50,664,973**	**(27,070)**	**4,395**	**2,862,775**	**(50,325,401)**	**3,179,672**
Loss for the year	-	-	-	-	(778,200)	(778,200)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**-**	**-**	**-**	**(778,200)**	**(778,200)**
AT 31 DECEMBER 2019	**50,664,973**	**(27,070)**	**4,395**	**2,862,775**	**(51,103,601)**	**2,401,472**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1. CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The consolidated financial statements of Lion Energy Limited (“Parent Entity” or “Company”) and its controlled entities (collectively as “Consolidated Entity” or “the Group”) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020. The Parent Entity is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The Group is principally engaged in oil & gas exploration, development and production and investment in the oil & gas industry. Further information on nature of the operations and principal activities of the Group is provided in the directors’ report. Information on the Group’s structure and other related party relationships are provided in notes 23 and 24.

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

Basis of Preparation of Accounts

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

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

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

Since 1 January 2019, the Consolidated Entity has adopted all Accounting Standards and Interpretations effective from 1 January 2019. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and Revised Standards that are effective for these Financial Statements

The 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. Interpretation 23 *Uncertainty over Income Tax Treatment* did not have a material impact to the Group as the Group did not have any uncertain tax positions as at 1 January 2019. The Group has not elected to early adopt any new accounting standards and interpretations.

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

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

Amendments to AASB 3: Definition of a Business

In October 2018, the AASB issued amendments to the definition of a business in AASB 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Amendments to AASB 101 and AASB 108: Definition of Material

In October 2018, the AASB issued amendments to AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Summary of Significant Accounting Policies

a) Functional and presentation currency of Lion Energy Limited

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

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

c) Foreign currency translation

The presentation currency of the Company and its subsidiaries is United States Dollars. The functional currency of the Company and its subsidiaries is United States Dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences in the consolidated financial report are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

d) Taxes

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

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

e) Employee Benefits

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

f) Cash and cash equivalents

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

g) Revenue

Revenue from contracts with customers

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

Interest revenue

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

h) Goods and Services Tax (GST)

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

i) Impairment of non current assets other than receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

j) Leases

<u>The Group as lessee</u>

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

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

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

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

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

k) Issued capital

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

l) Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Plant and equipment – over 2 to 15 years

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

m) Oil & Gas Properties

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

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

n) Trade and other receivables

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

o) Trade and other payables

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

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

p) Inventories

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

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

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

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

q) Borrowing costs

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

r) Exploration, Evaluation and Development Expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

s) Provision for site restoration

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

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

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

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

t) Share-based payment transactions

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

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

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

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

u) Earnings per share

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

v) Interests in Joint Arrangements

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

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

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

w) Business Combinations

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

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

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

x) Convertible Notes

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

y) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

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

Exploration and evaluation assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Taxation

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

Joint arrangements

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

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

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

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

Significant accounting estimates and assumptions

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

Key Estimates – Impairment of oil & gas properties

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

Key Estimates – Reserves estimates

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Key Estimates - Deferred taxes

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

Key Estimates - Equity settled transactions

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

NOTE 2. GOING CONCERN BASIS

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss before income tax of $778,200 (2018: $727,683) and expended a net operating cash outflow of $307,965 (2018: net operating cash inflow $519,381) for the year to 31 December 2019.

The Consolidated Entity is currently in a positive net current asset position of $634,698 (2018: $1,540,154). Included in cash at balance date are the proceeds from the East Seram farm-out, for which conditions precedent to the sale remain outstanding. The Directors are confident that the Group currently has sufficient cash to fund its share of approved joint venture activities within the next 12 months from the date the financial statements are approved and will be able to meet existing commitments as they fall due. However, the Directors note that options with regard to funding those activities will need to be sought, and the Group may be dependent on future capital raisings should any of the following occur:

(a) the government rejects the farm-out approval request thereby requiring the Group to return the payment received to the farmee

(b) uncommitted business activities or continued exploration and evaluation activities do not resolve themselves as anticipated requiring expenditure in excess of funds available to the business.

(c) oil price may not recover from its significant drop subsequent to year end resulting from the COVID-19 virus outbreak limiting investment and access to capital in the future

The outbreak of COVID-19 was declared a pandemic by the World Health Organisation in March 2020. This contributes to the significant uncertainty on the future of the Group and the oil & gas industry as a whole. Further details are outlined in Note 30.

The Directors will continue to carefully manage discretionary expenditure in line with the Group's cash flow, however, should any of the matters set out above materialise, 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 report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTE 3. GLOSSARY

The following abbreviations are used throughout this report:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	31 December 2019 $	31 December 2018 $

NOTE 4. REVENUE AND EXPENSES

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

REVENUE

Revenue from contracts with customers - Oil sales	534,521	960,385
Management fees	13,750	-
	548,271	960,385

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

Finance income:		
Interest receivable	292	31
	292	31

EXPENSES

Cost of goods sold:		
Production costs	256,603	450,470
Depreciation, Depletion & Amortisation	170,523	353,433
	427,126	803,903

Administration expenses:		
Depreciation	1,105	1,103
Consultants	192,581	223,131
Legal expenses	6,997	66,204
Professional fees	145,981	164,747
Rental costs	23,683	12,910
Travel	28,883	48,538
Wages, salaries and directors fee	331,162	611,946
Share based payments	-	4,395
Superannuation	-	2,633
Farmout transfer tax	46,567	-
Other administration expenses	89,065	97,000
	866,024	1,232,607

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	31 December 2019 $	31 December 2018 $

NOTE 5. INCOME TAX

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

	2019	2018
LOSS FROM CONTINUING OPERATIONS	(778,200)	(727,683)
Prima facie income tax benefit on operating loss calculated at 27.5% (2018:27.5%)	(214,005)	(200,113)
Non-deductible expenses	89,777	303,264
Difference of effective foreign income tax rates	20,224	(6,485)
Income tax benefit not brought to account	104,004	(96,666)
INCOME TAX BENEFIT FROM CONTINUING OPERATIONS	-	-

Deferred tax balances as at 31 December 2019 were not recognised in the statement of financial position. These relate to the deferred tax assets from the following accounts:

	2019	2018
Accruals	8,701	7,214
Unused tax losses – revenue losses	5,768,616	5,723,051
Unrecognised deferred tax asset – capital losses	510,762	510,762
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	6,288,079	6,241,027

The Group's unused tax losses that arose from revenue primarily relates to those incurred by the parent company based in Australia of $14,919,852 (2018: $14,935,697) that are available indefinitely for offsetting against future taxable profits of the parent. In addition, it also includes a total of $7,917,994 (2018: $7,917,997) of unused tax losses incurred by the foreign subsidiaries domiciled in the US and in Singapore.

The Group has unused capital losses of $1,857,316 (2018: $1,857,316) that arose mainly from the loan related transactions in the prior years and are available for offsetting against future taxable capital gains of parent company.

The Group's interest in the producing Seram PSC previously included unrecovered tax-effected cost pools (2018 $2,074,979). Upon the conversion of the Seram PSC to the new gross split PSC format, the previously unrecovered tax-effected cost pools are no longer able to be utilised

NOTE 6. EARNINGS PER SHARE

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

	2019	2018
Loss used in the calculation of basic/diluted EPS	(778,200)	(727,683)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic/diluted earnings per share	207,401,790	134,718,695

NOTE 7. TRADE AND OTHER RECEIVABLES (CURRENT)

	2019	2018
Trade debtors	12,599	435,365
Other debtors	29,409	81,124
	42,008	516,489

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	2019 $	**2018** $
NOTE 8. INVENTORIES		
Oil in Storage	147,934	-
Inventory - materials	317,351	317,424
	465,285	317,424
NOTE 9. PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT		
Gross carrying amount at cost	254,261	254,261
Accumulated depreciation	(250,187)	(248,875)
TOTAL PLANT AND EQUIPMENT	4,074	5,386
MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT		
At the beginning of the financial period	5,386	7,088
Additions/(Disposals)	(207)	(599)
Depreciation expense	(1,105)	(1,103)
TOTAL PLANT AND EQUIPMENT	4,074	5,386
NOTE 10. RECEIVABLES (NON CURRENT)		
Performance bonds collateral	497,250	497,250
Deposit with SKK Migas	100,000	-
	597,250	497,250

Performance bonds collateral:

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

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

Deposit with SKK Migas:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 11. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2019 $	**2018** $
Capitalised exploration and evaluation expenditure	1,359,160	1,042,236
TOTAL	1,359,160	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	316,924	974,242
Capitalised exploration expenditure written off	-	(198,704)
AT THE END OF THE FINANCIAL PERIOD	1,359,160	1,042,236

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Capitalised exploration and evaluation expenditure above includes $1,359,160 (2018: $1,042,236) of costs incurred in carrying out joint studies and submitting joint study applications to Indonesian authorities over areas in central and Northern Sumatra. This is a mechanism for undertaking exploratory activities and gaining the associated technical data in a region that attaches with it pre-emptive rights to acquire production sharing contracts over the acreage when it is included in periodic bidding rounds. Should the areas of interest associated with each study not progress to the Group seeking to acquire the PSC or progressing further evaluation the costs are expensed.

The Board has undertaken a strategic review of assets with a view to rationalising non-core assets and focussing on a production orientated portfolio of projects in line with the announcement to the ASX on 28 March 2018. There are no committed plans to fund activities on any of the group's areas of interest except for the East Seram area of interest. The Board has therefore taken the approach to impair to nil the exploration and evaluation costs on all areas of interest excluding the East Seram Joint Study, that was converted to a PSC in the prior year, which continues to be carried forward at its full cost. This East Seram PSC has an initial term of six years.

Farmout of East Seram PSC – 40%

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

– pay 80% of Lion's historical costs related to the East Seram PSC up until 31 August 2018 equal to $939,948 net to the Group, plus its 40% share of performance bond collateral ($0.15 million);

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

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

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

As a result of the above, the Group received a total of $1,378,366 under the FOA and the JOA, of which $1,188,366 related to the capitalised exploration and valuation expenditure asset and $190,000 as OESC's share of non-current receivables. The farmout is conditional upon the approval from the Government of Indonesia, which is currently in progress. As at 31 December 2019, the total payment received of $1,378,366 (2018: $nil) was recognised as liability until the approval is obtained (see note 14).

NOTE 12. OIL AND GAS PROPERTIES

	Consolidated Entity	
	2019 $	2018 $
Oil and gas properties at cost	2,287,455	2,254,816
Accumulated depreciation, depletion, amortisation and impairment	(2,287,455)	(1,977,614)
	-	277,202

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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	32,639	82,150
Depreciation, Depletion & Amortisation	(223,689)	(353,433)
Impairment	(86,152)	-
AT THE END OF THE FINANCIAL PERIOD	-	277,202

This asset relates to the Seram (Non-Bula) PSC. The PSC was originally due to expire on 31 October 2019. An extension was granted for an additional 20 years. Lion Energy holds 2.5% of this PSC (2018: 2.5%). As part of the Group's assessment of impairment of oil & gas properties as at 31 December 2019, it identified that the carrying value exceeded its recoverable value and have therefore impaired the entire asset as at 31 December 2019. The impairment assessment resulted in this conclusion due to the depressed oil price environment and forecasted exploration related expenditure required to maintain the PSC in good standing.

NOTE 13. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables	163,495	348,274
	163,495	348,274

NOTE 14. ADVANCES (CURRENT)

Advances from the farmout	1,378,366	348,274
	1,378,366	348,274

The above relates to the advances received from the farmout agreement (see Note 11). These advances will be reclassed to the relevant assets upon receipt of the government approval on the farmout, which is expected in the 2020 financial year.

NOTE 15. PROVISION FOR RESTORATION (NON-CURRENT)

Provision for restoration	193,710	182,556
	193,710	182,556

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 16. ISSUED CAPITAL

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

MOVEMENTS IN ISSUED CAPITAL

	Shares		$	
	2019	2018	2019	2018
At the beginning of the period	207,401,790	113,438,532	50,664,973	48,077,278
Issued on 8 June 2018	-	29,934,686	-	846,726
Issued on 6 December 2018	-	64,028,572	-	1,745,199
Share issue expenses	-	-	-	(4,230)
AT THE END OF THE FINANCIAL PERIOD	**207,401,790**	**207,401,790**	**50,664,973**	**50,664,973**

On 8 June 2018, the Company issued 24,242,857 fully paid ordinary shares as part of a placement for A$0.035 per share to raise a total of US$646,012 in cash (AU$848,500). The Company also issued 5,691,829 fully paid ordinary shares to consultants and directors as approved at the 2018 AGM on 31 May 2018 to pay US$200,714 in lieu of cash payment. The below outlines the details of the shares issued:

	No. of shares	$
Settlement of outstanding fees to contractors	100,000	3,782
Settlement of outstanding fees to Directors	1,507,988	58,152
Settlement of termination benefit to Director	1,720,205	67,266
Issued to consultant for services	2,363,636	71,514
	5,691,829	200,714

The fair value of these instruments was recognised at the fair value of the shares at settlement date.

On 6 December 2018, the Company issued 64,028,572 at a deemed issue price of A$0.035 upon conversion of the Risco Convertible Loan and KL Trio Convertible Loan as approved by shareholders on 7 November 2018. Details of the convertible notes are as follows:

- The Group issued two convertible loans with principal amounts of AU$921,000 (US$680,711) and AU$1,320,000 (US$975,612) to KL Trio Pte Ltd from Risco Energy Unconventional Pte Ltd respectively
- The notes had a maturity date of 13 December 2018 and 19 December 2018, respectively.
- Following shareholder approval, the note holders could elect to convert the Notes into fully paid ordinary shares of the Company at a conversion price of $0.035 per share. If the Notes were repaid in cash, an additional 10% of the principal amounts was due.

As the Convertible Notes are denominated in AU$, a derivative liability in the amount of US$ 342,204 was initially recognised in respect of the conversion right embedded in the Convertible Notes. The fair value of this derivative liability, level 2 in the fair value hierarchy, was calculated using the Binomial option pricing model with the key input being the share price of AU$0.035. At the date of conversion, being the maturity date of the Convertible Notes, the conversion rights had no value.

CAPITAL MANAGEMENT

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

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

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

	Consolidated Entity	
	2019 $	2018 $
NOTE 17. RESERVES		
Option premium reserve	(27,070)	(27,070)
Share based payment reserve	4,395	4,395
Currency translation reserve	2,862,775	2,862,775
	2,840,100	2,840,100
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the financial period	(27,070)	(27,070)
Addition/transfer	-	-
AT THE END OF THE FINANCIAL PERIOD	(27,070)	(27,070)
MOVEMENTS IN SHARE BASED PAYMENT RESERVE		
At the beginning of the financial period	4,395	-
Addition/transfer	-	4,395
AT THE END OF THE FINANCIAL PERIOD	4,395	4,395
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the financial period	2,862,775	2,862,775
Addition/transfer	-	-
AT THE END OF THE FINANCIAL PERIOD	2,862,775	2,862,775

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Company 2019 $	Company 2018 $
NOTE 18. PARENT ENTITY		
FINANCIAL INFORMATION ON THE PARENT ENTITY AS AT THE END OF THE FINANCIAL PERIOD:		
CURRENT ASSETS		
Cash and cash equivalents	1,620,768	1,028,385
Trade and other receivables	24,023	70,545
TOTAL CURRENT ASSETS	**1,644,791**	**1,098,930**
NON-CURRENT ASSETS		
Plant and equipment	4,074	4,759
Investments in subsidiaries	549,937	1,511,761
TOTAL NON-CURRENT ASSETS	**554,011**	**1,516,520**
TOTAL ASSETS	**2,198,802**	**2,615,450**
CURRENT LIABILITIES		
Trade and other payables	48,291	109,802
Amounts owing to subsidiaries	7,838,682	7,329,537
TOTAL CURRENT LIABILITIES	**7,886,973**	**7,439,339**
TOTAL LIABILITIES	**7,886,973**	**7,439,339**
NET LIABILITIES	**(5,688,171)**	**(4,823,889)**
EQUITY		
Issued capital	50,664,974	50,664,974
Option premium reserve	2,685,586	2,685,586
Accumulated losses	(59,038,731)	(58,174,449)
TOTAL EQUITY	**(5,688,171)**	**(4,823,889)**
FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL PERIOD:		
Loss after related income tax expense	(864,282)	(3,888,570)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	**(864,282)**	**(3,888,570)**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 19. CASH FLOW INFORMATION

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
LOSS AFTER TAX	(778,200)	(727,683)
Non-cash flow items in loss		
Depreciation of plant and equipment	1,105	1,103
Depreciation, Depletion & Amortisation of development expenditure	223,689	353,433
Interest expense	-	524,779
Gain on re-measurement of embedded derivative	-	(342,204)
Capitalised exploration expenditure written down	-	198,704
Foreign exchange	6,294	(99,419)
Impairment of oil & gas properties	86,152	-
Payment of services by shares	-	200,714
Share/option based payments	-	4,395
Gain on disposal of subsidiary	-	(533,832)
Changes in assets and liabilities		
Decrease/(increase) in trade debtors	474,481	(89,346)
Increase in inventories	(147,861)	-
(Decrease) in other creditors and accruals	(173,625)	(10,025)
NET CASH USED IN OPERATING ACTIVITIES	**(307,965)**	**(519,381)**

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial period is shown in the accounts as:

	2019 $	2018 $
Cash and cash equivalents	1,622,584	1,028,386
Share of joint operations cash	46,682	26,129
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**1,669,266**	**1,054,515**

NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing or investing activities that occurred during the period. The following non-cash financing or investing activities occurred in the prior period:

- 5,691,829 shares were issued to pay a total of $200,714 consulting and director fees in lieu of cash payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	2019	2018
	$	$

NOTE 20. EXPENDITURE COMMITMENTS

EXPLORATION COMMITMENTS

The Group has exploration commitments pursuant to its Production Sharing Contracts with the Government of Indonesia. At year end these totalled $2,122,300 (2018: $2,722,300). The Group has provided security bond of US$347,250 in respect of this commitment.

NOTE 21. AUDITORS' REMUNERATION

	2019 $	2018 $
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report – Australia	48,342	47,100
	48,342	47,100

NOTE 22. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2019 $	2018 $
Short term employee benefits	575,746	496,108
Post-employment benefits	-	6,828
Share based payments	-	4,395
Termination benefits	-	97,632
	575,746	604,963

Other Transactions:

A company associated with Mr Zane Lewis provides company secretarial and accounting services to Lion Energy Limited. As of the date of his appointment on 13 February 2018, the total fees charged to the Group relating to these services was $56,909.

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

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

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

NOTE 23. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 24. CONTROLLED ENTITIES

	Country of Incorporation	Principal Activity	Group Ownership Interest 2019 %	2018 %
Entities controlled by Lion Energy Limited				
Lion International Investment Limited	Cayman Islands	Oil & gas exploration and production	100%	100%
Lion Energy Limited USA, Inc	Delaware, USA	Holding Company	100%	100%
KRX Energy Pte Ltd	Singapore	Holding Company	100%	100%
Balam Energy Pte Ltd	Singapore	Oil & gas exploration and production	100%	100%
Seram Energy Pte Ltd	Singapore	Dormant holding entity	100%	100%
Entities controlled by KRX Energy Pte Ltd				
Tower Indonesia Shale Ltd	BVI	Oil & gas exploration	100%	100%
Entities controlled by Lion Energy Limited USA, Inc				
Lion USA LLC	Delaware, USA	Dormant	100%	100%

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

NOTE 25. JOINT ARRANGEMENTS

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

Name of the Joint Operation	Principal Place of Business	Principal Activity	Proportion of Ownership Interests Held by the Group 31 December 2019	31 December 2018
Seram (Non-Bula) Joint Operation	Indonesia	Production, exploration and development	2.5%	2.5%
East Seram Joint Operation[1]	Indonesia	Exploration and development	60%	n/a

There are no contingent assets or contingent liabilities arising from these joint operations. Note 1 – As described in Note 11, Lion entered into a farmout agreement with OPIC East Seram Corporation ("OESC") whereby OESC have acquired 40% of the East Seram project. On 5 November 2019, Lion and OESC signed a joint operating agreement (comparative year of 100% represents the Group's holding in the East Seram Project – described in Note 11)

NOTE 26. CONTINGENT LIABILITIES

As at 31 December 2019 the Group had no contingent liabilities, except for the portion of the performance bond in East Seram PSC of $1,125,000 (2018: $1,125,000) that was paid through a guarantee arrangement (Note 10). This portion of the performance has been included in expenditure commitments as per Note 20.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 27. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

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

TREASURY RISK MANAGEMENT

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

FINANCIAL RISK EXPOSURES AND MANAGEMENT

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

INTEREST RATE RISK

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

FOREIGN CURRENCY RISK

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

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

	AMOUNTS IN AUD 2019 $	AMOUNTS IN AUD 2018 $
Financial Assets		
Cash assets	14,650	4,902
Receivables	8,293	-
Financial Liabilities		
Payables	47,169	39,539

LIQUIDITY RISK

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

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There are no material amounts of collateral held as security at 31 December 2019. Credit risk is managed on a group basis and reviewed by the Board. It arises from exposures to customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 31 December 2019 are not rated, however given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group. All trade receivables disclosed in the financial statements were fully received subsequent to the reporting date.

MAJOR CUSTOMERS

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

PRICE RISK

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

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

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

	Consolidated Entity	
	2019	**2018**
	$	**$**
TRADE AND SUNDRY PAYABLES MATURING AS FOLLOWS:		
Less than 6 months	85,104	348,274
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	85,104	348,274

FAIR VALUES

Cash assets and financial assets are carried at amounts approximating fair value because of their short-term nature to maturity. Receivables and payables are carried at amounts approximating fair value. The Group does not carry any derivative financial instruments at 31 December 2019.

SENSITIVITY ANALYSIS

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

INTEREST RATE SENSITIVITY ANALYSIS

At 31 December 2019, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Consolidated Entity	
	2019	2018
	$	$
INCREASE/(DECREASE) IN PROFIT DUE TO:		
Increase in interest rate by 2%	19,936	20,062
Decrease in interest rate by 2%	(19,936)	(20,062)
INCREASE/(DECREASE) IN EQUITY DUE TO:		
Increase in interest rate by 2%	19,936	20,062
Decrease in interest rate by 2%	(19,936)	(20,062)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 31 December 2019, the effect on profit and equity as a result of changes in the exchange rate, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2019	2018
	$	$
INCREASE/(DECREASE) IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	849	1,809
Decline in AUD to USD by 5%	(849)	(1,809)
INCREASE/(DECREASE) IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	849	1,809
Decline in AUD to USD by 5%	(849)	(1,809)

NOTE 28. RELATED PARTY TRANSACTIONS

During the year, Lion Energy Limited charged a management fee to the East Seram joint arrangement of $22,917. The total revenue attributable to the group was $13,750.

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

NOTE 29. DIVIDENDS

No dividends have been paid or proposed during the period.

NOTE 30. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. Also, in March 2020, negotiations between Russia and the Organisation of the Petroleum Exporting Countries (OPEC) deteriorated changing oil supply to the global market and resulting in a rapid decline in oil price.

The direct effect of the COVID-19 outbreak is still being understood by the business as it continues to navigate the uncertainties of executing on its business and exploration plans. The outbreak and the response of Governments in dealing

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is currently not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case we note that the value of exploration and evaluation assets and inventory recorded in the statement of financial position and assessed for impairment qualitatively or net realisable value in line with the requirements of Australian Accounting Standards at 31 December 2019 may have materially changed by the date of this report.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 and steep oil price decline occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

End Notes

DIRECTORS' DECLARATION

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

A. In the opinion of the directors:

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

    a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of the performance for the year ended on that date; and

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

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

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

B. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

On behalf of the Board of Directors.

Thomas Soulsby
Executive Chairman
31 March 2020
Perth, Western Australia

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Lion Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Material uncertainty related to going concern

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

Emphasis of matter: Subsequent Events – Impact of the Coronavirus (COVID-19) outbreak

We draw attention to Note 30 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 30, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

Building a better working world

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matters described in the *Material Uncertainty Related to Going Concern* and *Emphasis of matter: Subsequent Events – Impact of the Coronavirus (COVID-19)* outbreak sections, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

1. The farm out of the 40% interest in Eastern Seram Production Sharing Contract (PSC) ("Eastern Seram PSC")

Why significant	How our audit addressed the key audit matter
The Group's most significant asset as at 31 December 2019 is its capitalised exploration and evaluation expenditure asset in the East Seram PSC, in which the Group has a 100% participating interest. On 25 September 2019, the Group entered into an agreement to farm-out 40% of its participating interest. The farm-out is conditional upon the execution of the Joint Operating Agreement ("JOA") between the Group and the farmee and the receipt of approval from the Government of Indonesia. As at 31 December 2019, the JOA has been executed between the parties and the consideration for the farm-out transaction was received in full. However, the government approval, regarded as a substantive condition precedent remained outstanding. Consistent with the conditions precedent not being satisfied, the Group recognised the cash consideration received as advances from the farmout in current liabilities. Refer to Note 11 in the financial statements for the disclosures of the farm-out agreement.	We performed the following procedures: ► Read the farm-out agreement to understand the significant terms and conditions of the transaction. ► Evaluated the achievement of the significant conditions precedent. ► Tested the receipt of the cash consideration under the farm-out agreement. ► Considered the Group's assessment that the transaction had not completed at balance date for consistency with Australian Accounting Standards. ► Assessed the adequacy of the disclosures in compliance with Australian Accounting Standards.

DH:DA:LIO:009

Building a better working world

2. Carrying value of exploration and evaluation expenditure

Why significant	How our audit addressed the key audit matter
The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment when facts and circumstances indicate that exploration and evaluation expenditure for an area of interest may exceed its recoverable amount. The determination as to whether there are any indicators to require capitalised exploration and evaluation expenditure for an area of interest to be assessed for impairment involves a number of judgments. This includes whether the Group has tenure, plans to undertake significant ongoing exploration and evaluation activities and if there is sufficient information for a decision to be made that the carrying amount of capitalised exploration and evaluation expenditure is unlikely to be recovered in full from successful development and exploitation or by sale. Refer to Note 11 in the financial statements for the capitalised exploration and evaluation assets and related disclosures, including in respect of the impairment assessment.	We considered the Group's assessment as to whether there were indicators present that required the exploration and evaluation asset to be tested for impairment as at 31 December 2019. In doing so we: ► Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and or correspondence with relevant government agencies ► Considered the Group's intention to carry out significant exploration and evaluation activities in the relevant areas of interest which included discussions with senior management and Directors as to the intentions and strategy of the Group ► Understood whether the Group had made an assessment on the technical and commercial viability of extracting mineral resources for the areas of interest. In addition, whether that assessment presented any indication that the asset was not fully recoverable ► Assessed whether the consideration from the farm-out agreement entered into during the year indicates impairment of the exploration and evaluation asset subject to the farm-out. In addition, we assessed the adequacy of the disclosures in Note 11 of the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Building a better working world

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

DH:DA:LIO:009

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

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

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

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

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 6 to 9 of the Directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Lion Energy Limited for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Darryn Hall
Partner
Perth
31 March 2020

DH:DA:LIO:009

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION AS AT 26 MARCH 2020

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

	Ordinary Shares
1 — 1,000	156
1,001 — 5,000	61
5,001 — 10,000	120
10,001 — 100,000	95
100,001 — and over	75
Total number of holders	507
Holdings of less than a marketable parcel	385

REGISTERED OFFICE OF THE COMPANY

Suite 7
295 Rokeby Road
Subiaco
Western Australia 6005

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

STOCK EXCHANGE LISTING

Quotation has been granted for 207,401,790 ordinary shares and on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Lion Energy Limited.

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

VOTING RIGHTS

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

SHARE REGISTRY

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

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

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

JOINT COMPANY SECRETARIES

The name of the Joint Company Secretaries are Zane Lewis and Arron Canicais.

TAXATION STATUS

Lion Energy Limited is taxed as a public company.

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION AS AT 26 MARCH 2020

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Registered Holder	Number of Shares	Percentage of Total
RISCO ENERGY UNCONVENTIONAL PTE LTD	90,249,643	43.51%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,317,057	12.69%
PT SENADA NUSANTARA	11,257,143	5.43%
MR ROBERT FRANCIS DAVIES + MRS YRONNE ELIZABETH DAVIES <THE DAVIES MINYAMA S/F A/C>	6,404,441	3.09%
TOWER ENERGY INDONESIA LIMITED	6,307,797	3.04%
W & N MORRISON INVESTMENTS PTY LTD <THE MORRISON FAMILY A/C>	6,301,151	3.04%
KKSH HOLDINGS LTD	5,971,723	2.88%
TRANSFORM EXPLORATION PTY LTD	5,857,143	2.82%
POUVOIR PTY LTD <BRIMAGE SUPER FUND A/C>	5,054,837	2.44%
TINTERN (VIC) PTY LTD <A & P MILLER FAMILY A/C>	2,842,857	1.37%
INTERNATIONAL ENERGY GROUP LIMITED	2,592,857	1.25%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,533,993	1.22%
MR JOHN JANSEN + MRS DALE JANSEN <JJ RETIRE A/C>	2,242,208	1.08%
KA SPENCER PTY LTD <KA SPENCER SUPER A/C>	1,968,746	0.95%
MR RICHARD CHARLES GRIGG	1,500,695	0.72%
MS NADA SAADE	1,307,503	0.63%
MR GERARD MASTERS + MRS SHARYN MASTERS <MASTERS SUPER FUND A/C>	1,185,000	0.57%
MR PETER DANIEL WARD + MRS SELA WARD <WARD FAMILY SUPER FUND A/C>	1,100,000	0.53%
DR ALICE MAY WHYTE	1,006,566	0.49%
BENNETT & BENNETT PTY LTD	995,000	0.48%
ALL OTHER SHAREHOLDERS	24,405,430	11.77%
Total	207,401,790	100.00%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
21/12/2018	Risco Energy Unconventional Pte Ltd	90,249,643[1]
13/12/2018	KL Trio Pte Ltd	26,317,057[2]
13/12/2018	PT Senada Nusantara	11,257,143

1. As lodged with ASX on 21 December 2018.
2. As lodged with ASX on 13 December 2018.
3. As lodged with ASX on 13 December 2018.

Voting Rights

Ordinary Shares

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

Securities Exchange Quotation

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

ADDITIONAL INFORMATION AS AT 26 MARCH 2020

BUY-BACK

There is no current on-market buy-back.

OIL & GAS TENEMENTS

Tenement or licence area	Lion interest	Comments
Indonesia		
Seram (Non-Bula) Production Sharing Contract	2.5%	Interest held through Lion's wholly owned subsidiary Lion International Investment Limited.
East Seram PSC	100%	Interest held through Lion's wholly owned subsidiary Balam Energy Pte Ltd.

CORPORATE GOVERNANCE STATEMENT

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

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

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

ADDITIONAL INFORMATION AS AT 26 MARCH 2020

BUY-BACK

There is no current on-market buy-back.

OIL & GAS TENEMENTS

Tenement or licence area	Lion interest	Comments
Indonesia		
Seram (Non-Bula) Production Sharing Contract	2.5%	Interest held through Lion's wholly owned subsidiary Lion International Investment Limited.
East Seram PSC	100%	Interest held through Lion's wholly owned subsidiary Balam Energy Pte Ltd.

CORPORATE GOVERNANCE STATEMENT

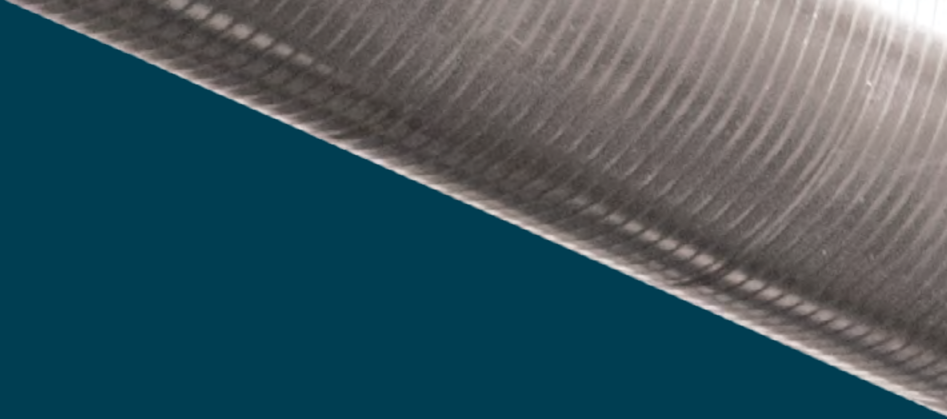
The directors of Lion Energy support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the appendix 4G released to ASX and posted on the Company website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

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

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

This page has been left blank intentionally

This page has been left blank intentionally



Suite 7, 295 Rokeby Road
Subiaco WA 6008, Australia

Tel: +61 (8) 9211 1500
Fax: +61 (8) 9211 1501

Lion Energy Limited
ABN **51 000 753 640**

www.lionenergy.com.au