



Interim Financial Report

Period Ended 30 June 2020

Lion Energy Limited
ABN 51 000 753 640

This document should be read in conjunction with the Annual Financial Report of Lion Energy Limited for the period ended 31 December 2019.



**LION ENERGY LIMITED
CORPORATE DIRECTORY**

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

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

ABN: 51 000 753 640

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AUDITORS: **Ernst & Young**
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DIRECTORS' REPORT

The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the period ended 30 June 2020. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Thomas Soulsby
Russell Brimage
Christopher Newton
Damien Servant
Zane Lewis

OPERATING RESULTS

The operating and comprehensive loss for the Consolidated Entity, after income tax for the 6 months to 30 June 2020 amounted to US\$627,411 (2019: US\$363,630).

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

Significant Changes

Covid-19

Lion's business in the first half of 2020 was impacted by the economic shocks of significantly lower oil prices and the COVID-19 pandemic. Lion is committed to supporting government and community efforts to limit the impact of the pandemic and ensure business continuity.

The Company implemented a series of measures to protect the health and safety of its people, including changes to office working arrangements, restricting travel and implementing social distancing measures. Operations have continued at both the Seram (Non-Bula) PSC and East Seram PSC, however the impact of low oil prices have resulted in delays in planned exploration and development works at both PSC's.

In the 31 December 2019 annual report, Lion fully impaired its oil & gas properties asset, relating to the Seram (Non-Bula) PSC, and the Company's assessment of the carrying value as at 30 June 2020 has not changed.

The Company did not receive the JobKeeper supplement.

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

Review of Operations

Operational highlights for the period:

- Production from the Seram (Non-Bula) PSC averaged 1,717 bopd, which equates to 7,262 barrels net to Lion, representing a reduced decline rate of 3.8% when compared with the previous corresponding period due to development drilling, natural decline and ongoing well management.

DIRECTORS' REPORT

- There was one crude oil lifting in the current half year and the next lifting is scheduled for September 2020. Crude oil available for lifting at the end of June 2020 was 316,664.
- Whilst the Seram (Non-Bula) JV approved the Lofin 2 well test to commence in 2020, this has been pushed back to early 2021.
- The Seram (Non-Bula) JV also approved a development drilling program at the Oseil oil field, which commenced Q1 2020. The Oseil 29 well was completed and at the end of June 2020 was producing 310 bopd, at a 35% water cut. Subsequent development wells have been put on hold due to low oil prices.
- A 500 km 2D seismic survey is scheduled to commence in 2020. Plans to cover high graded onshore and offshore prospects and leads as well as the extensions of Lofin and the Bula oil field are well advanced. The marine survey has been tendered, and contract awarded and is expected to commence in 2020. The offshore work has been tendered already and is expected to commence next year. Lion is confident this will result in a suite of drill ready targets and reinforce the East Seram PSC as one of the most high- potential exploration blocks in the SE Asian region.

EVENTS SUBSEQUENT TO BALANCE DATE

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

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Ernst & Young, have provided a signed auditors independence declaration to the directors in relation to the six months ended 30 June 2020. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.



Thomas Soulsby
Executive Chairman

10th September 2020
Perth, Western Australia

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company set out on page 4 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2020 and of its performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) Subject to Note 2 of the financial report there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in blue ink, appearing to read "T. Soulsby".

Thomas Soulsby
Executive Chairman

10th September 2020
Perth, Western Australia



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	Note	6 months to 30 June 2020 US\$	6 months to 30 June 2019 US\$
REVENUE	3	308,628	-
Cost of sales	3	(131,821)	-
GROSS PROFIT		176,807	-
Financing income	3	-	3
Administration expenses	3	(223,472)	(174,341)
Employee benefit expenses		(205,415)	(245,006)
Foreign exchange gains		(4,438)	(3,119)
Impairment – Oil & Gas Properties		(309,164)	-
Other financial income from recovery of prior period credit losses		-	58,833
LOSS BEFORE INCOME TAX		(565,682)	(363,630)
Income tax expense		(61,729)	-
LOSS AFTER INCOME TAX		(627,411)	(363,630)
LOSS FOR THE PERIOD		(627,411)	(363,630)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(627,411)	(363,630)
BASIC LOSS PER SHARE (CENTS PER SHARE)		(0.30)	(0.18)
DILUTED LOSS PER SHARE (CENTS PER SHARE)		(0.30)	(0.18)

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	30 June 2020 US\$	31 December 2019 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,078,587	1,669,266
Trade and other receivables	5	53,566	42,008
Inventories	6	472,907	465,285
TOTAL CURRENT ASSETS		1,605,060	2,176,559
NON-CURRENT ASSETS			
Plant and equipment		3,782	4,074
Receivables	5	407,250	597,250
Capitalised exploration and evaluation expenditure	7	243,764	1,359,160
Oil and gas properties	8	-	-
TOTAL NON-CURRENT ASSETS		654,796	1,960,484
TOTAL ASSETS		2,259,856	4,137,043
CURRENT LIABILITIES			
Trade and other payables	9	290,008	163,495
Advances	10	-	1,378,366
TOTAL CURRENT LIABILITIES		290,008	1,541,861
NON-CURRENT LIABILITIES			
Provision for restoration	11	195,787	193,710
TOTAL NON-CURRENT LIABILITIES		195,787	193,710
TOTAL LIABILITIES		485,795	1,735,571
NET ASSETS		1,774,061	2,401,472
EQUITY			
Issued capital	12	50,664,973	50,664,973
Reserves		2,840,100	2,840,100
Accumulated losses		(51,731,012)	(51,103,601)
TOTAL EQUITY		1,774,061	2,401,472

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Note	6 months to 30 June 2020 US\$	6 months to 30 June 2019 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		308,628	435,365
Production expenditure		(148,924)	(140,932)
Payments to suppliers & employees		(302,082)	(402,663)
Income tax paid		(61,729)	-
Interest received		-	3
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(204,107)	(108,227)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		-	600
Exploration and evaluation expenditure		(72,970)	(38,844)
Oil and gas properties expenditure		(309,164)	(20,369)
NET CASH USED IN INVESTING ACTIVITIES		(382,134)	(58,613)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(586,241)	(166,840)
Net foreign exchange differences		(4,438)	(3,119)
Cash and cash equivalents at beginning of period		1,669,266	1,054,515
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	1,078,587	884,556

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020**

	Issued Capital US\$	Option Premium Reserve US\$	Currency Translation Reserve US\$	Share Based Payment Reserve US\$	Accumulated Losses US\$	Total Equity US\$
AT 1 JANUARY 2020	50,664,973	(27,070)	2,862,775	4,395	(51,103,601)	2,401,472
Loss for the period	-	-	-	-	(627,411)	(627,411)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	(627,411)	(627,411)
Transactions with owners in their capacity as owners						
Securities issued	-	-	-	-	-	-
Share issue cost	-	-	-	-	-	-
AT 30 JUNE 2020	50,664,973	(27,070)	2,862,775	4,395	(51,731,012)	1,774,061

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

The accompanying notes form part of this financial report



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

NOTE 1. BASIS OF PREPARATION OF THE PERIOD FINANCIAL REPORT

These general purpose interim financial statements for the interim 6 month reporting period ended 30 June 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Lion Energy Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, together with any public announcements made during the period.

Statement of compliance

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

Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2019, except for the impact of all new or amended standards and interpretations. The adoption of the new or amended standards and interpretations did not result in any significant changes to the Group's accounting policies.

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 \$627,411, a net operating cash outflow of \$204,107 and spent a net investing cash outflow of \$382,134 for the 6 months to 30 June 2020.

The Consolidated Entity is currently in a positive net current asset position, including cash of \$1,071,035. The ability of the Group to fund its share of currently approved joint venture activities is dependent upon continued revenue generation from Seram Non-Bula and raising additional funding via a farm out transaction or other means, as required. As at the date of this report, the Directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by raising further funds as required but note that it has not been secured at the date of this report.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	6 months to 30 June 2020 US\$	6 months to 30 June 2019 US\$
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NOTE 3. REVENUE AND EXPENSES

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

REVENUE

Revenue from contract with customers – oil sales	233,628	-
Management fees	75,000	-
	308,628	-

FINANCE INCOME

Interest income	-	3
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BREAKDOWN OF EXPENSES

Cost of goods sold:		
Production costs	131,821	-
	131,821	-
Administrative expenses		
Depreciation	208	366
Consultancy expenses	21,432	24,593
Legal expenses	39,239	6,997
Professional fees	71,840	69,236
Rental costs	1,981	11,965
Travel expenses	3,604	16,775
Other administrative expenses	85,168	44,409
	223,472	174,341

	30 June 2020 US\$	31 December 2019 US\$
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NOTE 4. CASH AND CASH EQUIVALENTS

Cash at bank	1,007,754	1,622,584
Share of joint venture cash	63,281	46,682
	1,071,035	1,669,266

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	30 June 2020 US\$	31 December 2019 US\$
NOTE 5. TRADE AND OTHER RECEIVABLES (CURRENT)		
Current		
Trade debtors	-	12,599
Other debtors and prepayments	53,566	29,409
	<u>53,566</u>	<u>42,008</u>
Non-Current		
Performance bonds collateral	347,250	497,250
Deposit with SKK Migas	60,000	100,000
	<u>407,250</u>	<u>597,250</u>

As a result of the disposal of 40% of the Group's interest in the East Seram project via its farmout to OPIC East Seram Corporation ("OESC") described in Note 7, the Group received \$190,000 from OESC for its share of the performance bond collateral. This cash was received in advance in the prior year and formed part of the advances from the farmout as outlined in Note 10.

NOTE 6. INVENTORIES

Oil in Storage	172,580	147,934
Inventory - materials	300,327	317,351
	<u>472,907</u>	<u>465,285</u>

NOTE 7. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

Capitalised exploration and evaluation expenditure	243,764	1,359,160
TOTAL	<u>243,764</u>	<u>1,359,160</u>

MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

At the beginning of the financial period	1,359,160	1,042,236
Expenditure during the period	72,970	316,924
Disposal – 40% interest in East Seram PSC	(1,188,366)	-
Capitalised exploration expenditure written off	-	-
AT THE END OF THE FINANCIAL PERIOD	<u>243,764</u>	<u>1,359,160</u>

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

During the period, the Group received approval from the Government of Indonesia regarding the Group's farm out of 40% of the Group's interest in the East Seram PSC. As a result, all conditions precedent of the Group's farm out and joint operating agreements with OESC have been met and the disposal of 40% of the East Seram PSC asset has been recognised. The cash consideration was received in advance in the prior year and recognised as advances from the farmout as outlined in Note 10.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

NOTE 8. OIL AND GAS PROPERTIES

Oil and gas properties at cost	-	2,287,455
Accumulated depreciation, depletion, amortisation and impairment	-	(2,287,455)
TOTAL	-	-

MOVEMENTS IN THE CARRYING AMOUNT OF OIL AND GAS PROPERTIES

At the beginning of the financial period	-	277,202
Expenditure during the period	309,164	32,639
Depreciation, depletion & amortisation	-	(223,689)
Impairment	(309,164)	(86,152)

AT THE END OF THE FINANCIAL PERIOD	-	-
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This asset relates to the Seram (Non-Bula) PSC. The PSC was originally due to expire on 31 October 2019. An extension was granted for an additional 20 years. Lion Energy holds 2.5% of this PSC (2019: 2.5%). As part of the Group's assessment of impairment of oil & gas properties as at 31 December 2019 and 30 June 2020, it identified that the carrying value exceeded its recoverable value and have therefore impaired the entire asset. 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.

30 June 2020 US\$	31 December 2019 US\$
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NOTE 9. TRADE AND OTHER PAYABLES

Trade and other payables	290,008	163,495
	290,008	163,495

NOTE 10. ADVANCES

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

NOTE 11. PROVISION FOR RESTORATION (NON-CURRENT)

Provision for restoration	195,787	193,710
	195,787	193,710

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

NOTE 12. ISSUED CAPITAL

ORDINARY SHARES

207,401,790 (31 December 2019: 207,401,790) fully paid ordinary shares	50,664,973	50,664,973
	<u>50,664,973</u>	<u>50,664,973</u>

MOVEMENTS IN ORDINARY SHARES

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

50,664,973

NOTE 13. SEGMENT INFORMATION

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

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

NOTE 14. EVENTS SUBSEQUENT TO BALANCE DATE

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

NOTE 15. FINANCIAL INSTRUMENTS

Due to their short-term nature, the carrying amounts of the Group's financial assets and liabilities at 30 June 2020 were considered to approximate their fair value.

NOTE 16. RELATED PARTY TRANSACTIONS

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

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Lion Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the Directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the half-year ended on that date.
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

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

Directors' responsibility for the half-year financial report

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

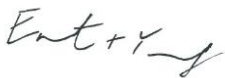
Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Ernst & Young



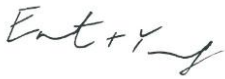
Mark Cunningham
Partner
10 September 2020

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

As lead auditor for the review of the half-year financial report of Lion Energy Limited for the half-year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Mark Cunningham
Partner
10 September 2020