2015 ANNUAL REPORT

A New Approach To Asian Energy

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CONTENTS

HIGHLIGHTS

FINANCIAL

- Prudent financial management in challenging industry conditions, cash balance of US$2.0mil as at December 2015
- Net loss for the year of US$835,963
- Market capitalisation A$10.6mil (31 December 2015), a decrease from A$17.1mil (30 June 2014)

ORGANISATION

- Cost reductions across the company reducing monthly administration costs
- Maintain highly skilled team, adding Indonesian advisor

OPERATIONS

- Lofin-2 appraisal well in Seram (Non-Bula) PSC highly successful with up to 1300m gas column defined and P50 Contingent Resource (2C) of 2.02 tcf (50 bcf net to Lion)
- Successful Oseil development drilling, increasing production to average 3222 bopd (80 bopd net to Lion) for the period 1 July 2014 to 31 December 2015 (2589 bopd in previous financial year), average December 2015 4124 bopd
- South Block A (North Sumatra): integration of 183 km 2D seismic survey; planned drilling of either shallow low risk oil and gas exploration prospect or high impact gas/condensate prospect
- Two unconventional joint studies completed (post year end) with positive results, progress on other unconventional joint study applications over North and Central Sumatra Basins
- Active Sumatran focused new business initiatives with focus on acquiring production assets

“Lofin is a significant discovery; one of the largest in the region in recent times”

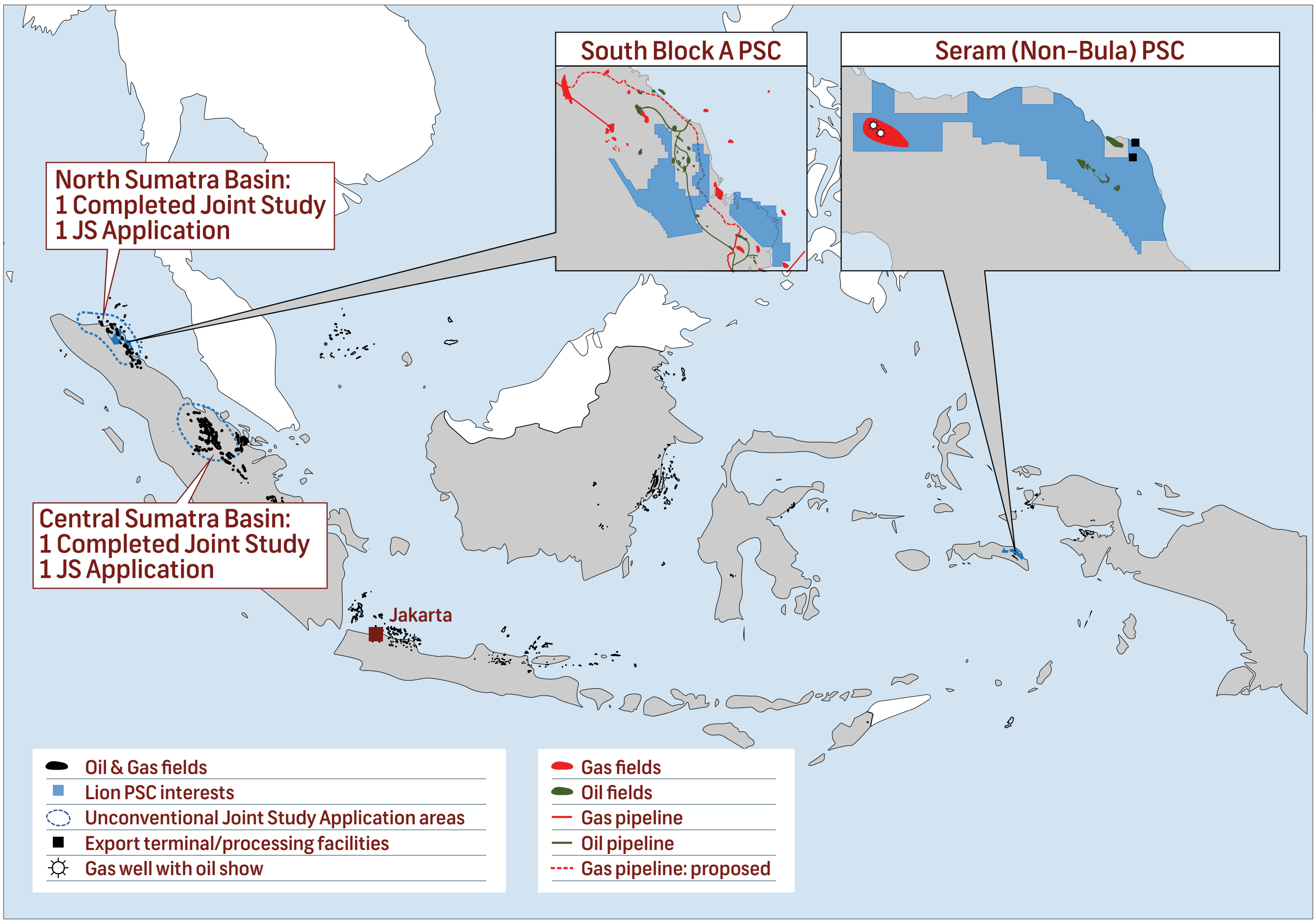
STRATEGIC ADJUSTMENTS

Through innovative management, Lion has managed to minimise costs whilst continuing to grow opportunities despite the challenges confronting energy companies in the upstream sector over the past 18 months.

This industry backdrop sees companies, both large and small, suffering significant write-downs in value as oil prices have plummeted to lows not seen since 2003.

Despite this, the momentum of the company since its January 2012 restructuring has been maintained with appropriate refocusing of strategy over the past 18 months. The objective post January 2012 was to build a portfolio to transform the company from being a small Indonesian conventional oil and gas explorer and producer with minimal funds, to building a prominent position in both conventional and unconventional oil and gas opportunities identified in Indonesia.

The strategy adjustments have been to focus more on acquisition of either conventional producing or near-term production assets, with gas taking priority over oil opportunities; whilst still pursuing the unconventional opportunities. In the meantime we are still cognisant these are longer term portfolio objectives. Whilst globally oil prices have plummeted, Indonesian domestic gas prices have maintained levels that continue to provide excellent returns on investment, particularly given investment costs are at decade lows for oil and gas equipment and services.



Lion's Indonesian Portfolio

OPERATIONAL SUCCESS IN PRODUCTION AND EXPLORATION

The company has been able to grow its production significantly over the past 18 months, whilst also enjoying outstanding exploration success and prospect portfolio growth. I will briefly touch on some of the highlights. More detail can be found in the operational review.

In 2014, development drilling on the Oseil field accounted for a significant production increase of 16% with a further and more impressive 18% increase in calendar year 2015. In association with the incremental production, an emphasis on cost reduction has seen production costs cut significantly, falling to US$16.73 per barrel in calendar year 2015.

On the exploration and appraisal front the Lofin-2 appraisal well confirmed a major accumulation. The 2C Contingent Resource is in excess of 2 trillion cubic feet of natural gas, with 18.25 million barrels of condensate (on a 100% basis). Lion's net interest in the discovery is approximately 50 billion cubic feet of gas, with 0.46 million barrels of associated condensate.

This is a significant hydrocarbon discovery, indeed one of the largest in the SE Asian region in recent times.

In the South Block A PSC, located in the prolific North Sumatra Basin, Lion holds a 35% working interest. Two key prospects have been high ranked for drilling. The first is the shallow, low-cost Amanah Timur structure with modest but low risk shallow oil potential. The second prospect of focus is the deeper and much larger Jerneh feature which at up to 60 km² is one of the largest undrilled structures in the North Sumatra Basin. The company's management is actively marketing these opportunities to potential farminees to assist with funding drilling and potential development activities.

For the unconventional oil and gas opportunities identified by the company in Indonesia, ongoing effort has resulted in the award in February 2015 of two Unconventional Joint Studies - the North Sumatra "Bohorok" covering an area of 4684 km²; and "Bengkalis" covering an area of 2481 km² located in the east of the Central Sumatra Basin. Both are operated by Lion and we have a 55% and 75% interest in the studies, respectively.

The final technical meeting with the Indonesian regulator MIGAS, was held on 19 February 2016, marking the completion of the studies. The timing of the release of the resultant PSC for tender following the completion of the current joint studies is controlled by MIGAS. Lion and its consortium members will have a right to match any tender offers for the blocks.

In summary, the company has made significant advances over the past 18 months, compounding on the work commenced post the restructure of the company in January 2012.

These achievements are visible to shareholders through the regular ASX releases made by the company. What is not visible to shareholders is the very significant other work carried out by management, which involves extensive and ongoing review of the many opportunities presented to and unearthed by management. The company has conducted numerous extensive reviews of many opportunities with some reaching unsuccessful offer stage and others outright rejected. Several remain in the pipeline and may well emerge as opportunities that the company realises in 2016 and even beyond.

Your company has access internally to industry best expertise, led by Kim Morrison, the company's CEO. At the board level and through an experienced and skill diverse advisory panel, the company has access internally to all areas of expertise essential to thorough and sound investigation of opportunities. For its size, Lion is able to compete at the highest level for opportunities. It is this capability, coupled with close connections in-country to industry leaders and government, that will continue to deliver successful outcomes to Lion.

THE TEAM

At the risk of repeating information I have released in previous letters to shareholders, it is worthwhile again reflecting on the great depth of talent available to the company within the executive, board of directors and advisory panel.

The company's strategy is directed by an industry recognised and respected board of directors comprising Tom Soulsby and Chris Newton as non-executive directors, Kim Morrison as Chief Executive Officer and Stuart Smith as Executive Director, responsible for all finance aspects of the group.

The advisory panel includes Mr Sammy Hamzah, a principal advisor to the company. Mr Hamzah is an Indonesian citizen and significant Lion shareholder; he has strong connections through the petroleum industry and government and is able to guide Lion's in-country efforts through his contacts and with structuring and procedural advice. In 2015 Lion also secured the services of Amrullah Hasyim who provides a key liaison role as well as providing commercial and engineer insight gained through his 30 year career with Halliburton in senior positions in locations around the world.

On the technical side, Roger Whyte, a principal advisor, is a geologist and geophysicist with over 30 years of experience in the upstream petroleum industry in senior management and technical roles. Dr Andrew Cullen is a petroleum geoscientist with diverse skills and is currently working on major unconventional projects as well as assessing unconventional plays throughout the US. Dr Harold Williams is a petroleum geochemist with strong unconventional expertise, currently working on shale gas studies in North America. He has impressive international experience including senior technical positions with Caltex in Indonesia. Mr Mike Ellis is a drilling engineer with wide-ranging Indonesian experience and has proven his flexibility in managing deep, complex, high pressure wells and also relatively shallow, onshore oil development programs in a cost effective and safe manner. He has experience working unconventional plays in the US, which will be valuable in assisting Lion with its shale gas and oil exploration programs.

"...the great depth of talent available to the company..."

INDONESIAN FOCUS

The company remains focused on Indonesia and the abundant opportunities that exist in this vibrant and growing economy. Indonesia has the world's fourth largest population with the economy able to maintain an approximate 5% increase in GDP or higher over recent years.

On 1 January 2016 the country re-joined OPEC.

According to BP (BP Statistical Review 2015), Indonesia's domestic energy consumption has doubled over the last 16 years to 2014, led by growth in fossil fuels; however the country's energy production grew by just 1.4% in 2014, its lowest growth rate since 1988 and oil production continued to decline, falling to its lowest level since 1969.

In late-2015 Gusti Nyoman Wiratmaja, Director General of Oil & Gas at the Ministry of Energy and Mineral Resources, said Indonesia needs over USD$32 billion worth of investment (mostly from the private sector) for natural gas refineries, storage facilities, and gas-related infrastructure in order to meet domestic gas demand by 2025 (particularly for power stations and fertilizer plants). Indonesia's gas demand is estimated to rise from 6.1 billion standard cubic feet per day (bscfd) in 2015 to 8.9 bscfd in 2025. Without providing clear details, Wiratmaja added that incentives are available to the private sector for investment in the domestic gas industry. The energy demand of this economy is growing at 5% per year which is exerting upward pressure on already attractive oil and gas domestic prices. Lion's goal is to position itself in key appraisal and development acreage, to be in a position to take advantage of this compelling energy situation.

"The energy demand of this economy is growing at 5% per year"

IN CLOSING...

These are challenging times for upstream energy companies globally, including Lion Energy.

The upside in such an environment is the plethora of opportunities this presents to those willing to pursue counter cyclical trends. The challenge is to access funding to realise the best of these opportunities.

The stars are aligned for Lion; opportunities abound and requisite skills at management, board level and within the advisory panel are committed.

Whilst I acknowledge the hard work and commitment of management, the board and the advisory panel over the past 18 months and thank them on behalf of shareholders, I know well they also acknowledge the challenges confronting the company in the near term as the company endeavours to deliver success and growth.

Finally, to shareholders, thank you for your patience. Lion like all upstream energy companies, has experienced a downturn in its share price and our clear goal in the year ahead is to reverse this decline.

As a shareholder you can be assured of continued and uncompromised efforts within the company to deliver success. The non-executive board represents major shareholding and the executive management are significant shareholders in Lion Energy. The advisory panel is also rewarded for effort with shares forming a part of their fees. We are all in this together.

Russell Brimage
Chairman

BOARD & MANAGEMENT

Russell Brimage
Chairman

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, 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.

Kim Morrison
Managing Director & CEO

Mr Kim Morrison, has a successful 30 year career working in senior technical and managerial positions with majors through to small cap companies in locations throughout the world. Mr Morrison graduated from The University of Sydney in 1984 with an Honours degree in Geology and Geophysics. He also holds a Diploma in Applied Finance and Investment from The Securities Institute of Australia.

Mr Morrison commenced his career as a geologist with Hartogen Energy in Sydney before joining Marathon Oil in 1989, initially in their Perth office, before moving to Jakarta and Houston. In 2000 he joined Fletcher Challenge in Brunei as Head of Regional Geology, and in 2001, accepted a senior portfolio management role with Shell in Malaysia. Mr Morrison was posted to The Hague in 2005 where he led Shell's Asia Pacific New Ventures team. In 2006 he moved to Libya with Woodside as Onshore Exploration Manager and in 2008 returned to Perth as Business Development Manager for Oilex Ltd. Mr Morrison set up an exploration advisory business in 2010 and also cofounded KRX Energy. KRX became a wholly owned subsidiary of Lion in 2014 and Mr Morrison assumed the role of Chief Executive Officer.

Stuart B. Smith

Executive Director

Mr Smith has over 20 years of experience in the energy industry. He spent 16 years in investment banking specialising in the energy sector including involvement in: equity research, IPO's, secondary capital raisings and M&A. From 2005 to 2008 Stuart was Head of Asia-Pacific Oil & Gas Research for Merrill Lynch, based in Singapore. In the last eight years he has held senior management roles with a number of privately-held Asian-based oil and gas companies, with responsibility for commercial and finance functions. These include Ephindo Energy (Indonesia's leading CBM company), Triton Petroleum and Triton Hydrocarbons.

Stuart is a qualified Chartered Accountant (Australia) graduating from the University of Melbourne in 1988, and his initial experience was with Deloitte. From 2009 to 2010 he was a Non-Executive Director of Warsaw listed E&P company, Kulczyk Oil Ventures Inc, where he served on the Audit and Reserves Committees.

Tom Soulsby

Non-executive Director

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

A graduate of Swinburne and Monash Universities, 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 an energy and 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.

Chris Newton

Non-executive Director

Mr Newton is Director for Business Development and Operations of Risco Energy. In a career spanning 35 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. 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 South East 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.

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 remains an advisor to the IPA Board and is also the oil and gas advisor to the Jakarta based Castle Asia Group.

Zane Lewis

Joint Company Secretary

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.

Arron Canicais

Joint Company Secretary

Mr Canicais is a Chartered Accountant with 9 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 CFO for Enterprise Metals Limited (ASX: ENT) and Enterprise Uranium Limited (ASX: ENU) and is the joint Company secretary for Ardiden Limited (ASX: ADV)

ADVISORY BOARD

Roger Whyte
Principal Advisor

Mr Whyte is Managing Director of KRX Energy and brings over 30 years of wide-ranging experience in the oil industry encompassing senior managerial and technical roles.

He has a BSc degree in geology from the Australian National University and a BSc Honours degree from the University of Tasmania. His early career was spent with Shell, primarily involved with running offshore seismic operations. He later held positions with Union Texas Corporation in Singapore, London and Jakarta, where he rose to the position of Chief Geophysicist with responsibility for offshore seismic acquisition, processing and interpretation in the Tomori Block, Indonesia.

After returning to Australia in 1988, Mr Whyte operated an exploration consultancy business. In 2005 he was appointed Managing Director of GulfX Ltd with responsibility for the company's offshore interests in the Gulf of Mexico. Mr Whyte was instrumental in the start-up of KRX in 2010 which became part of Lion in 2014.

Sammy Hamzah
Principal Advisor

Mr Hamzah is CEO of Tower Energy and a pioneering authority in Indonesian unconventional oil and gas. He formed Tower in 2012 to pursue early entry into unconventional exploration (non-CBM) opportunities in Indonesia. He is also the founding shareholder and CEO of Ephindo Energy Private Limited, Indonesia's leading first mover CBM company. He was formerly Unocal Indonesia Company's (now Chevron Indonesia Company) Senior Vice President in Indonesia and has over 20 years of general management experience.

Mr Hamzah is currently a Board Member of the Indonesian Petroleum Association, Chairman of the Permanent Committee of Coordination of Energy Association at KADIN (Indonesian Chambers of Commerce) and a founder of the CBM Advisory Board, as well as a non-executive director of Rio Tinto Indonesia.

Mr Amrullah Hasyim

Mr Hasyim has over 30 years experience in the oil and gas industry. His background encompasses extensive operations, technology and business development experience in both onshore and offshore operations.

Prior to his appointment as an Advisor to Lion Energy, Amrullah was General Manager and Chief Business Development Officer at Ephindo Energy Private Limited from 2007. He continues to work at Ephindo as Advisor to the CEO.

Mr Hasyim worked with international service company Halliburton Energy Services for over 25 years. He has undertaken a number of international assignments including USA, Abu Dhabi and Dubai United Arab Emirates.

He graduated from UPN Veteran Yogyakarta majoring in Petroleum Engineering and has a Master of Business Administration from Institute Management Newport Indonesia, Jakarta. He has been a member of the Society of Petroleum Engineering (SPE), USA since 1992

Dr Harold Williams

Dr Williams, also a holder of a BSc, MSc and a PhD in Geology, is a geochemist with strong unconventional expertise currently working on shale gas studies in the Western Canada Sedimentary Basin (WCSB), Australia (NT) and in Europe, and on Coal Bed Methane also in the in WCSB.

He has impressive international experience and has held senior technical positions with Caltex in Indonesia and published widely-cited papers on Sumatran petroleum systems. Dr Williams has developed and taught courses on applied geochemistry and seismic stratigraphy and also brings to Lion strong operations experience with geological supervision of unconventional wells.

Mr Michael Ellis

Mr Ellis holds a BSc in Petroleum Engineering from Montana College of Mineral Science and Technology, and MBA in Management from Monash University. He is a Registered Petroleum Engineer in the State of Alaska. Mr Ellis has an intimate knowledge of the challenges and success factors of working in Indonesia and has proven track record in successfully running drilling operations in wide variety of geographical environments in a safe, cost effective and efficient manner.

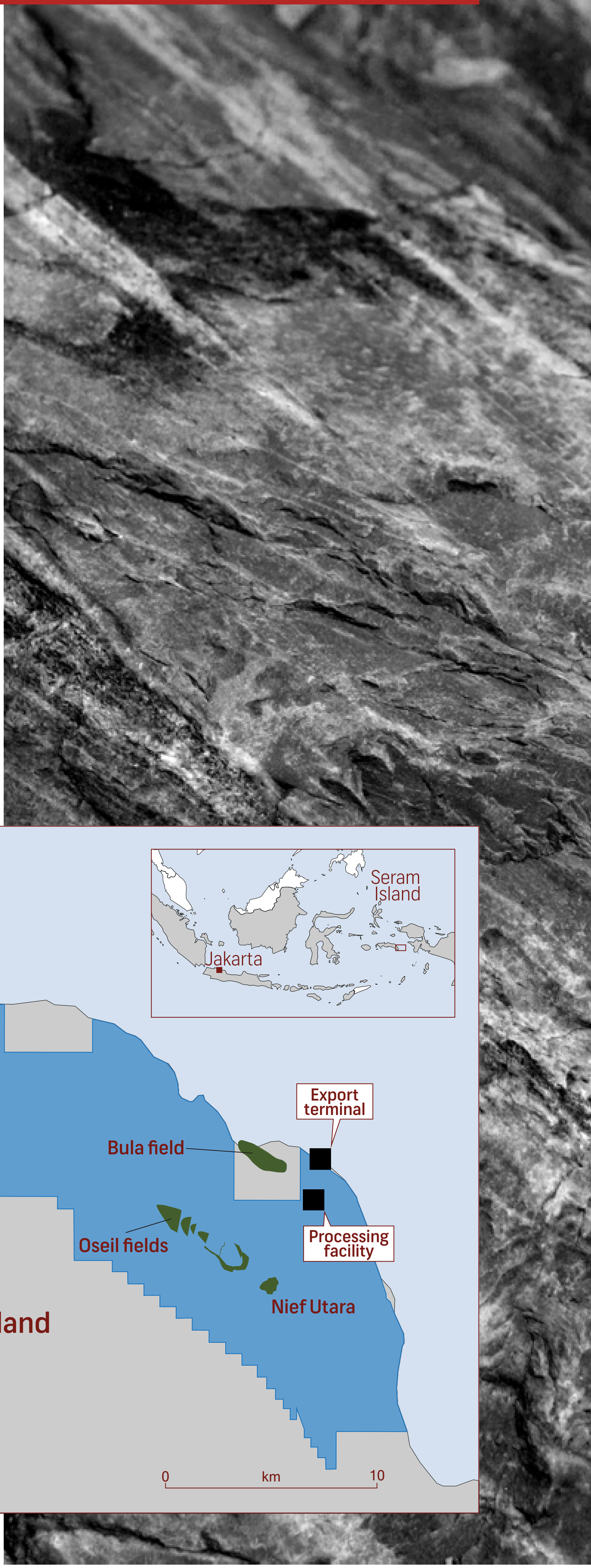
Mr Ellis has recently completed an assignment with Pexco in Jakarta where he managed drilling projects in Aceh, Sulawesi and onshore South Sumatra. In this latter case he played a key role in successfully bringing an onshore oil field through development to production. In 2003-2005 Mr Ellis was a VP of Exploitation for Maxus-YPF Repsol, where we was responsible for all operation activities, including financial performance, of 150,000 bopd production from 71 offshore structure with in excess of 400 wells and two FPSO's. From 2005-2006 he was based in Oklahoma working for Samson Oil and Gas on US onshore unconventional projects.

Dr Andrew Cullen

Dr Cullen, holder of a BSc, MSc and PhD in Geology, is a petroleum geoscientist with deep and diverse skills and has been involved in international and North American discoveries and reserves additions totalling more than 700 million barrels of oil.

He is currently a Senior Advisor with Chesapeake Energy in Oklahoma City, working on major unconventional projects, as well as assessing unconventional plays throughout the US. He also has an adjunct appointment teaching Petroleum Geology at the University of Oklahoma. Dr Cullen spent nearly 20 years working for Shell International in Nigeria, Malaysia, the Netherlands and the US, and, prior to joining Chesapeake in 2010, he was responsible for a team evaluating unconventional plays throughout the Western Hemisphere.

A core Lion principle is respect for the cultures and communities in which we operate

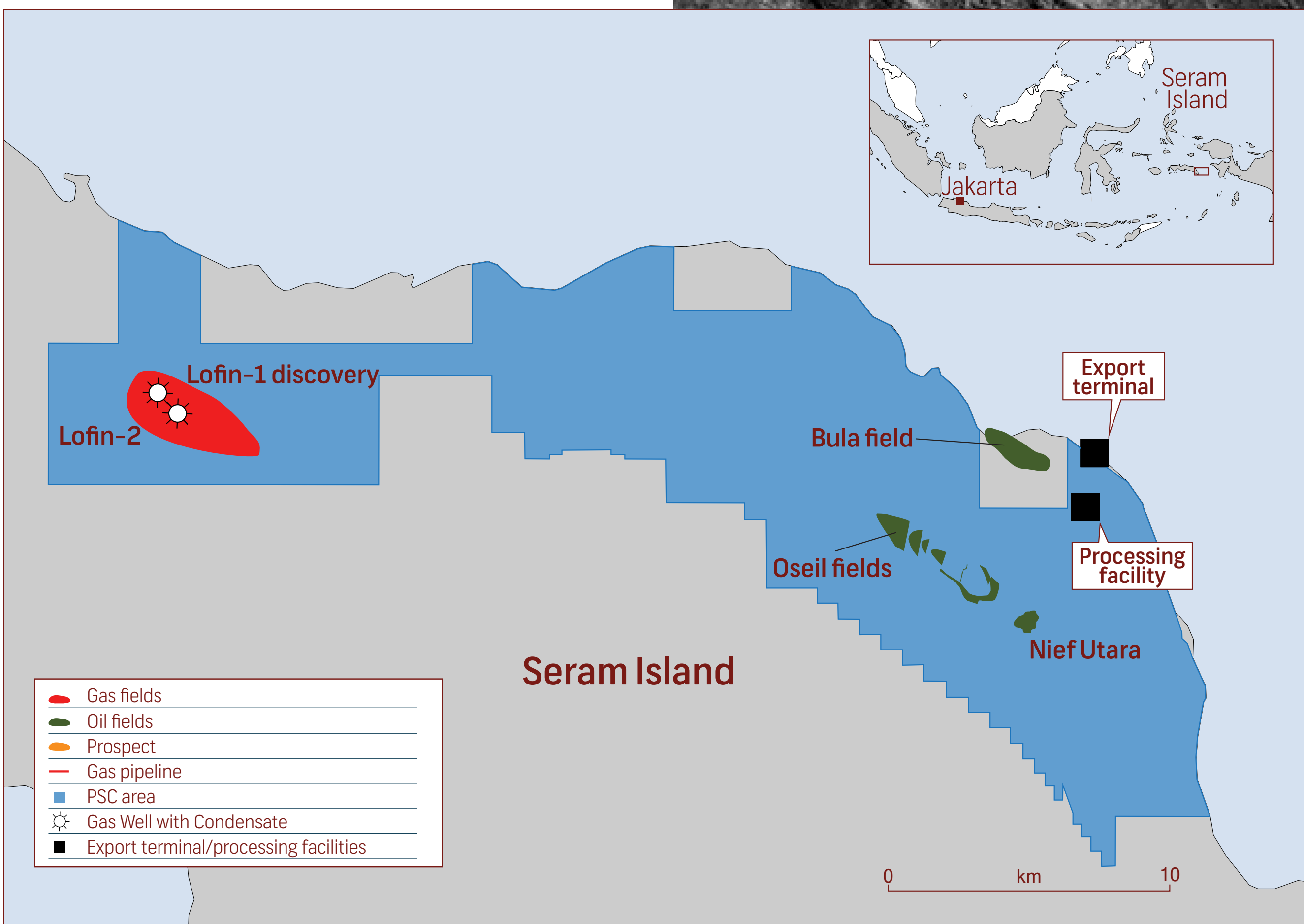


SERAM (NON-BULA) PSC

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

The major equity holder and Operator of the Joint Venture is CITIC Seram Energy Limited (51%). Other partners include KUFPEC (Indonesia) Limited (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures which have since initial field start-up in January 2003, produced cumulative crude oil production of 14,313,453 barrels as at 31 December 2015. The block also contains the 2012 Lofin discovery which the joint venture appraised in 2015 with the highly successful Lofin-2 well.



Oseil oilfield and Lofin discovery

Reserves

An updated reserves report for the Seram PSC, commissioned by the operator of the project, by US experts, DeGoyler & McNaughton (D&M), was announced on March 1, 2016. The report is effective 31 December 2015 and is based on 2015 gross production of 1221mbbl (3345 bopd). The Proven (1P) reserve estimate at end 2015 is 4881mbbl compared to 4746mbbl at end 2014. When the 2015 production is taken into account the report shows an increase in Proven reserves from the Dec 2014 figure of 1356 mbbl.

The 31 December 2015 Proven reserves are classified into Proven-Developed reserves of 3833mbbl and Proven-Undeveloped reserves of 1048mbbl. This compares with 31 December 2014 estimates of 2409mbbl and 2337mbbl, respectively. The increase of in the overall Proven and more particularly the Proven (Developed) numbers reflects the successful development drilling in the Oseil 2 area of the Oseil field during 2015. The Proven-Developed number in the D&M report does not assume any further development wells being drilled.

Oseil Area Reserves (mbbl)

	D&M Reserves (Gross)			D&M Reserves (net to Lion)		
	Proven (1P)	Proven & Probable (2P)[2]	Proven, Prob & Poss. (3P)[2]	Proven (1P)	Proven & Probable (2P)[2]	Proven, Prob & Poss. (3P)[2]
EOY 2014	4,746	6,907	9,641	118.65	172.68	241.03
Production	-1,221	-1,221	-1,221	-30.53	-30.53	-30.53
Revision	1,356	420	242	33.90	10.50	6.05
EOY 2015	4,881	6,106	8,662	122.02	152.65	216.55

Oseil Area Contingent Resources (mbbl)

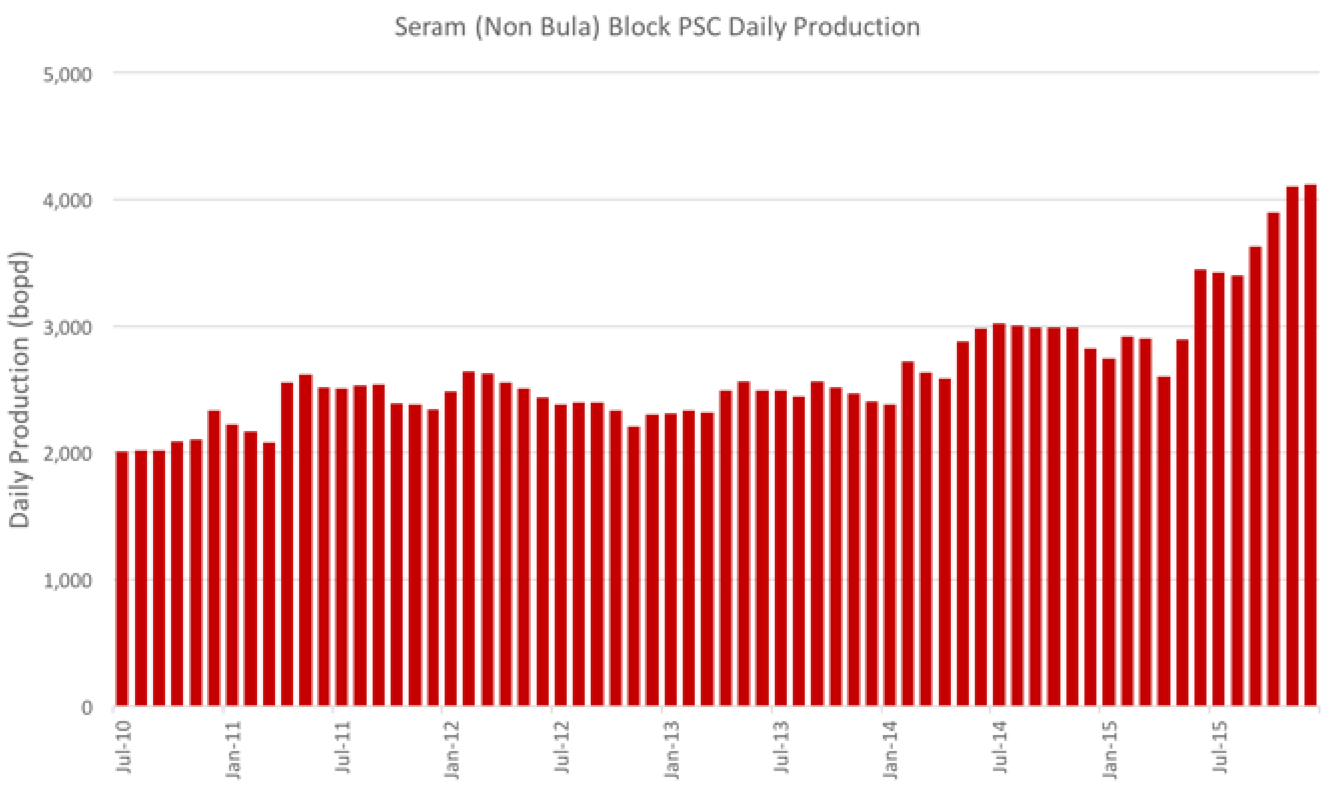
	D&M Contingent Oil Resources[4, 5] (Gross)			D&M Contingent Oil Resources[4, 5] (Net to Lion)		
	1C/P90	2C/P50	3C/P10	1C/P90	2C/P50	3C/P10
EOY 2014	1,442	3,106	39,146	36.05	77.65	978.65
Revision	143	-426	-21,583	3.58	-10.65	-539.58
EOY 2015	1,585	2,680	17,563	39.63	67.00	439.08

1. 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.
2. Incremental probable (2P) and possible (3P) reserves assume further development drilling is undertaken, and hence may not be produced before the expiry of the PSC in 2019 if this program is not successfully executed.
3. Reserves have been estimated using the deterministic method.
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. Contingent Resources comprise oil potential from existing fields post-PSC Expiry and other undeveloped oil fields. No estimate has been presented in this table for the Dawang gas field or the Lofin gas/condensate field. Please refer to the table on page 22 for Lofin field resources.

Production

Production for the reporting period from 1 July 2014 to 31 December 2015 from the Oseil oilfield and surrounding structures was 1,768,651 bbl of crude oil at an average daily rate of 3222 bopd (80 bopd net to Lion). This compares to an average daily rate of 2,589 bopd (65 bopd net to Lion) for 1 July 2013 to 30 June 2014 reporting period. Production for the month of December 2015 average 4124 bopd.

In association with the incremental production, an emphasis on cost reduction has seen production costs cut significantly. In calendar year 2012 cash production cost was US$29.91/bbl, in 2013 US$26.00/bbl, in 2014 US$22.73/bbl and in 2015 US$16.73/bbl.



A summary of crude oil liftings for the period 1 Jul 2014 to 31 Dec 2015 is provided in the following Table.

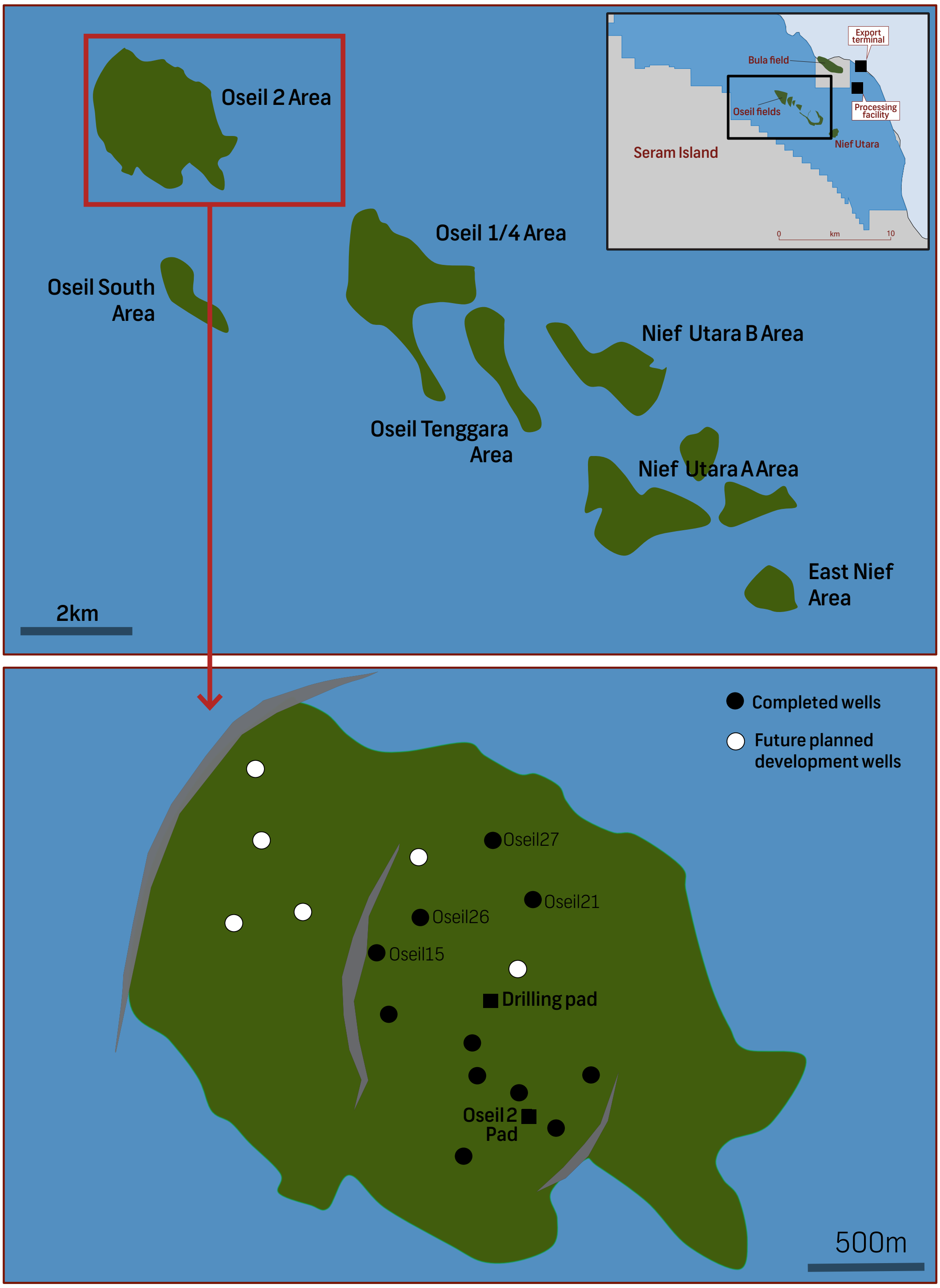
Date of Lifting	Crude oil lifted (bbl)	Revenue (Net to Lion) USD
18 September 2014	340,221	781,316
30 December 2014	305,521	408,118
21 May 2015	340,015	402,636
8 September 2015	400,119	332,534
22 December 2015	425,123	295,832
TOTAL	1,810,999	2,282,301

Note: Revenue is before deduction of First Tranche Petroleum

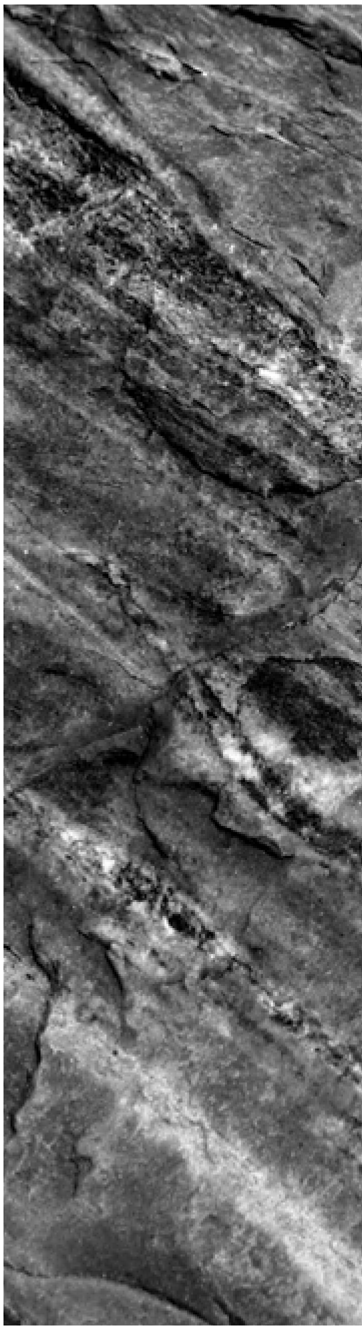
Phase 3 Development

During the reporting period the Seram joint venture secured all external approvals for a third phase of development drilling on the Oseil Field (referred to by the regulators as a Plan of Further Development or POFD), with up to 10 wells within the Oseil-2 field. The Phase 3 POFD was formally approved by the Indonesian regulatory body, SKK Migas, on 5 May 2015. Six of the ten wells approved have already been drilled as at 31 December 2015.

The recently completed Oseil-22 development well was the sixth well in the POFD. Given the current oil price environment, the joint venture has decided to suspend any further development drilling.



Oseil field location map



Oseil 2 field area

Oseil-27 Development Well

Oseil-27 testing the northern part of the Oseil-2 structure was proposed based on the success of two prior development wells in the same area, Oseil-21 and Oseil-26. The initial pre-drill production rate was forecast to be 500bopd and accessing 592mbbl of oil. The well was drilled as a deviated well from the Oseil-26 drilling pad.

The well spudded on 27 February 2015 and the primary objective Manusela Formation was encountered at 1870m TVD (1508m ssTVD). After setting 7" liner, losses were encountered whilst drilling 6 1/8" hole to total depth suggesting high fracture density. The well reached a total depth of 2241m MD (1669m ssTVD) on 6 May 2015. An electrical submersible pump (ESP) was run on 3 ½" completion tubing and the rig was released on 12 May 2015.

Oseil-27 performance at 31 December 2015	
Oil Rate (bopd)	729
Water Cut (%)	0%
Choke size (inches)	30/64
Cumulative production (bbl)	167,786

"The well was drilled approximately US$2.5mil under the budget"

Oseil-28 Development Well

The Oseil-28 well was directionally drilled to target the Manusela fractured carbonate in the northern part of the faulted 4-way dip closure of the Oseil-2 up-thrown fault block.

The well spudded on 18 July 2015 and the rig was released 9 September 2015. Excluding mobilization and rig up time, the well was drilled, completed and tested in 53 days, 34 days less than the well program projection.

The well was drilled approximately US$2.25mil under the budget projection of US$9.96mil and continues the efficiency drive by the operator that has resulted in drilling costs over the past four wells of the Phase 3 program being 15.8% below projections.

Oseil-28 reached TD of 2347m MD (1949m TVD) in the Manusela limestone objective and was completed with an ESP.

Oseil-28 performance at 31 December 2015	
Oil Rate (bopd)	808
Water Cut (%)	0%
Choke size (inches)	26/64ths
Cumulative production (bbl)	91,269

Oseil-22 Development Well

The Oseil-22 well was directionally drilled to target, the Manusela fractured carbonate in the central eastern part of the faulted 4-way dip closure of the Oseil-2 up-thrown fault block.

The well spudded on 18 November 2015 and the rig was released, post quarter end, on 12 January 2016. Excluding mobilization and rig up time, the well was drilled, completed and tested in 55 days, 31 days less than the well program projection.

Oseil-22 reached TD of 2332m MD (1864m TVD) in the Manusela limestone objective on 7 January 2015 and was completed with an ESP. As at January 21 the well was being tested through a 12/64" choke at 324bopd with 2% water cut.

The well was drilled approximately US$2.5mil under the budget projection of US$9.75mil and continues the efficiency drive by the operator that has resulted in drilling costs over the past six wells of the Phase 3 program being significantly below projections.

Lofin-2 appraisal well

The Lofin-2 appraisal well spudded on 31 October 2014. The well was drilled to appraise the 2012 Lofin-1 discovery which flowed gas and some oil/condensate from the Manusela Formation fractured limestone. The well is operated by CITIC Seram Energy Ltd (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

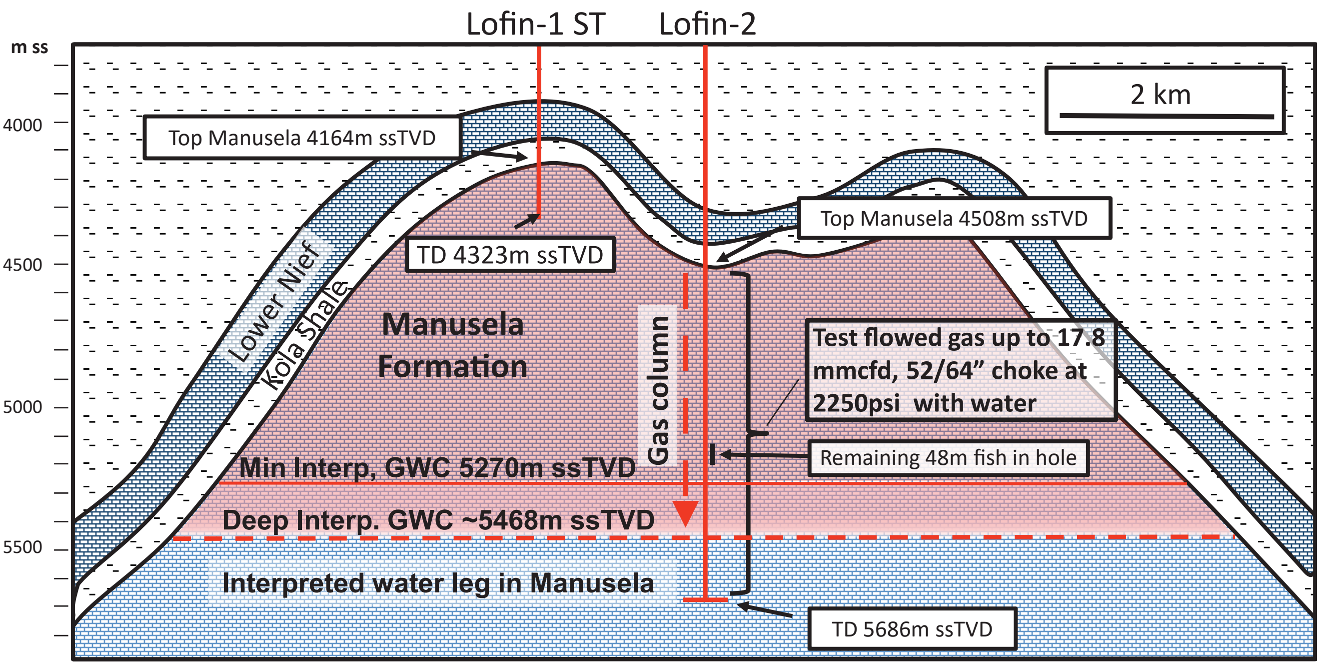
Lofin-2 intersected the primary Manusela objective at 4615m MD (4508m ssTVD), some 125m deeper than prognosed pre-drill. Wireline logging at the original programmed total depth (TD) of 5471m MD (5348m ssTVD), including pressure measurements and samples, provided strong evidence that the hydrocarbon column continued deeper within the fractured Manusela limestone section. The well was therefore drilled to a revised TD depth of 5861m MD (5686m ssTVD), making it one of the deepest wells ever drilled in Indonesia.

On pulling out of hole at this new TD the drill pipe became stuck and, on attempting to pull free, the drill pipe parted with the top of the 253m stuck drill string at 5025m MD (4948m ssTVD). A number of attempts to free the stuck pipe were unsuccessful and the joint venture elected to conduct a flow test over the open-hole section of the Manusela Formation.

A successful well test commenced on 21 May 2015 and was conducted as a multi-rate test using different choke sizes to maximise reservoir information over a 7 day period. On a 52/64" choke the well flowed gas at approx. 17.8mmscfd with approx. 2634bpd water and completion fluid and approx. 54 bpd of 34.9° API condensate/oil with a flowing wellhead pressure of 2250psi (96 hour flow period on 52/64" choke). On the smallest choke setting (16/64") the well was flowing gas at approx. 4.95 mmscfd with approx. 12 barrels condensate/oil and approx. 280 bpd water with a flowing wellhead pressure of 5000psi (12 hour flow period on 16/64" choke).

The results indicate well flow was occurring around the stuck drill pipe and the presence of water in the test is interpreted to come from the lower part of the well, coincident with a decrease in gas readings while drilling from around 5595m MD (5463m ssTVD) to TD. It is likely the water can be isolated successfully (or not penetrated in future wells), in which case gas flow rates would be anticipated to be significantly higher than rates measured in Lofin-2. Initial analysis indicates the gas in the Lofin structure has minimal contaminants (<5%).

The well was suspended as a future gas producer (rig released on 19 July 2015) with the results confirming a highly significant gas discovery for the Lofin structure.



Lofin field schematic section

Lofin Resource Estimate

Data acquired during the drilling of Lofin-1ST1 and Lofin-2, combined with seismic data, has been used in calculating contingent resources for the Lofin Field. The Lofin Field 100% 2C Contingent Resource has increased from 4.59 mmboe (0.119 mmboe net to Lion) to 345.9 mmboe (8.65 mmboe net to Lion) as a result of 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, corporate commitment and extension award of the Seram (Non-Bula) Block PSC beyond the current 31 October 2019 expiry date. The joint venture is currently reviewing further appraisal requirements and potential development options for the Lofin Field.

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)

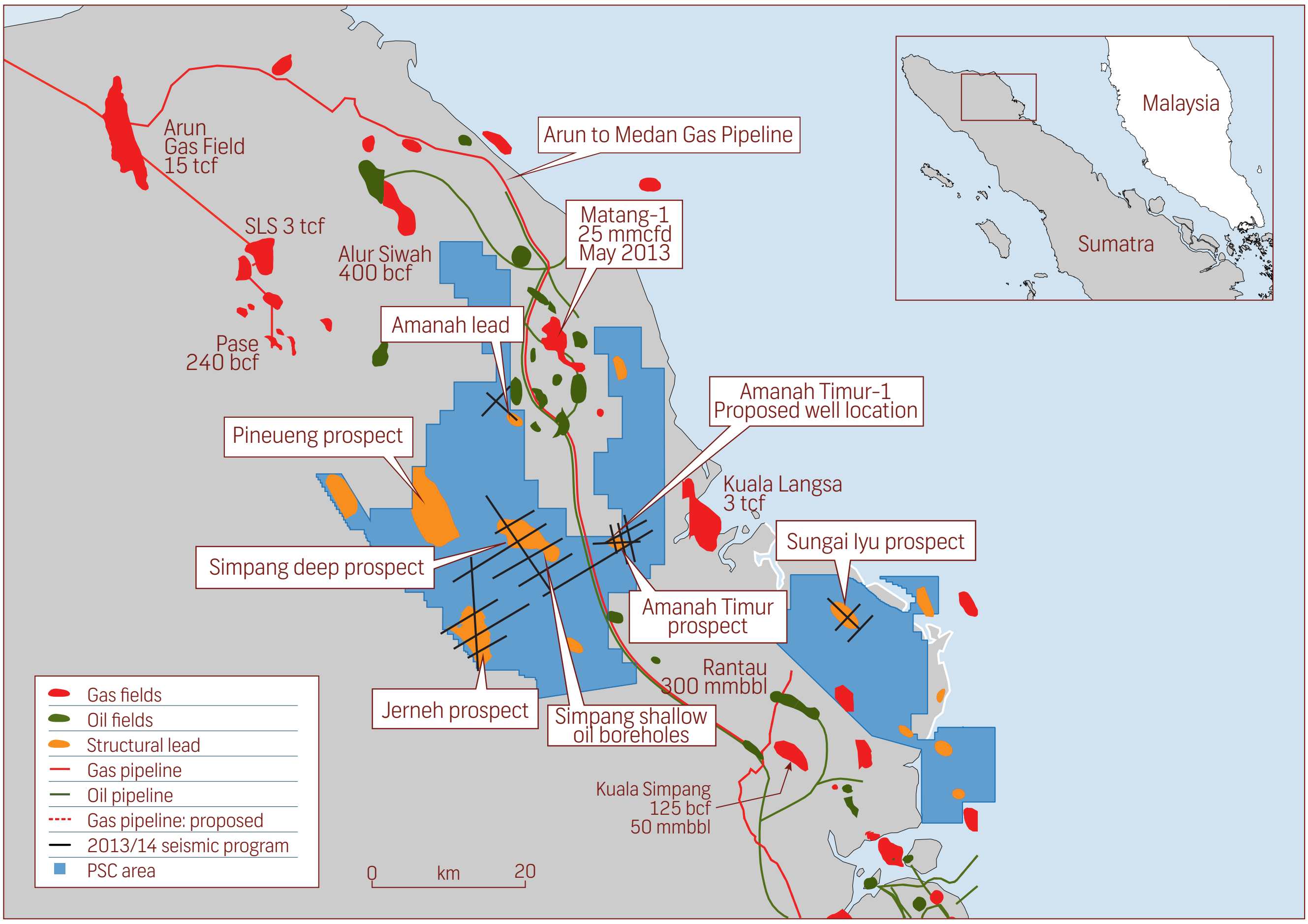
Manusela Formation Reservoir	Gross (100%) PSC			
	In-place		Recoverable[3,4]	
	Low (P90)	Mid (P50)	1C (P90)	2C (P50)
Gas (bcf)	1337	3070	880	2020
Condensate[2] (mmbbl)			8.0	18.3
Total (mmboe)[6]	222.8	511.7	145.5	345.9
Manusela Formation Reservoir	**Net to Lion Working Interest (2.5%)**			
	In-place		**Recoverable[3,5]**	
	Low (P90)	**Mid (P50)**	**1C (P90)**	**2C (P50)**
Gas (bcf)	33.43	76.75	21.99	50.50
Condensate (mmbbl)			0.20	0.46
Total (mmboe)[6]	5.57	12.79	3.64	8.65

1. Contingent Resources 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 encumbrances.
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 encumbrances.
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 equivalency 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.

SOUTH BLOCK A PSC

The South Block A PSC is centrally located in the prolific North Sumatra Basin. It is divided into two separate blocks; the western block is known as Area 1 and covers an area of 1,138 km², while the smaller Area 2 block to the east, extends over the coastal boundary with an offshore portion and covers an area of 442 km².

Lion has a 35% interest in the South Block A PSC with other participants being PSC operator, RENCO Elang Energy Pte Ltd (51% interest), a company majority controlled by Canadian listed ACL International Limited and PT Prosys Oil & Gas International (14% interest).



Location Map South Block A PSC

KRX (now a wholly owned subsidiary of Lion) farmed into the South Block A PSC in 2012 attracted by large gas/condensate and overlooked oil volume potential in an under-explored block with ready infrastructure and under-supplied gas markets.

The North Sumatra Basin is one of the most prolific hydrocarbon provinces in Indonesia with over 80 known oil and gas fields. The United States Geological Survey World Petroleum Report (2000) indicates that reserves of approximately 25.6 tcf of gas, 900 mmbbl of natural gas liquid and 700 mmbbl of oil have been found in the North Sumatra Basin. The basin contains the giant Arun Gas Field with initial gas reserves of over 15 tcf. The USGS Report also estimates undiscovered (conventional) gas of 15 tcf gas (mean) and 180 mmbbl (mean) of natural gas liquids 210 mmbbl (mean) of oil which provides encouragement for additional exploration in the basin.

Some recent exploration drilling results are supportive of this potential. In 2013 operator Medco, in the adjacent Block A PSC, drilled the Matang-1 gas discovery. Participant in the well, Premier Oil, reported in a press release on 3 May 2013 that the well flowed 25 mmscfgd with 15% CO2 and a recoverable gas resource reported in the 100-400 bcf range. In 2012 Pertamina made a Belumai Formation gas condensate discovery with Benggala-1 to the south of South Block A in the Langkat block.

Geological and geophysical evaluation

During the reporting period interpretation of the 183km 2D seismic acquired in 2014 was completed. Based on this work an upgraded portfolio of prospects emerged with the shallow, low risk low cost Amanah Timur Prospect (formally Paya Bili Prospect) and the large Jerneh gas condensate prospect in the west of the PSC. The joint venture is currently evaluating these two options to meet the exploration well commitment currently required by end 2016.

Amanah Timur Prospect

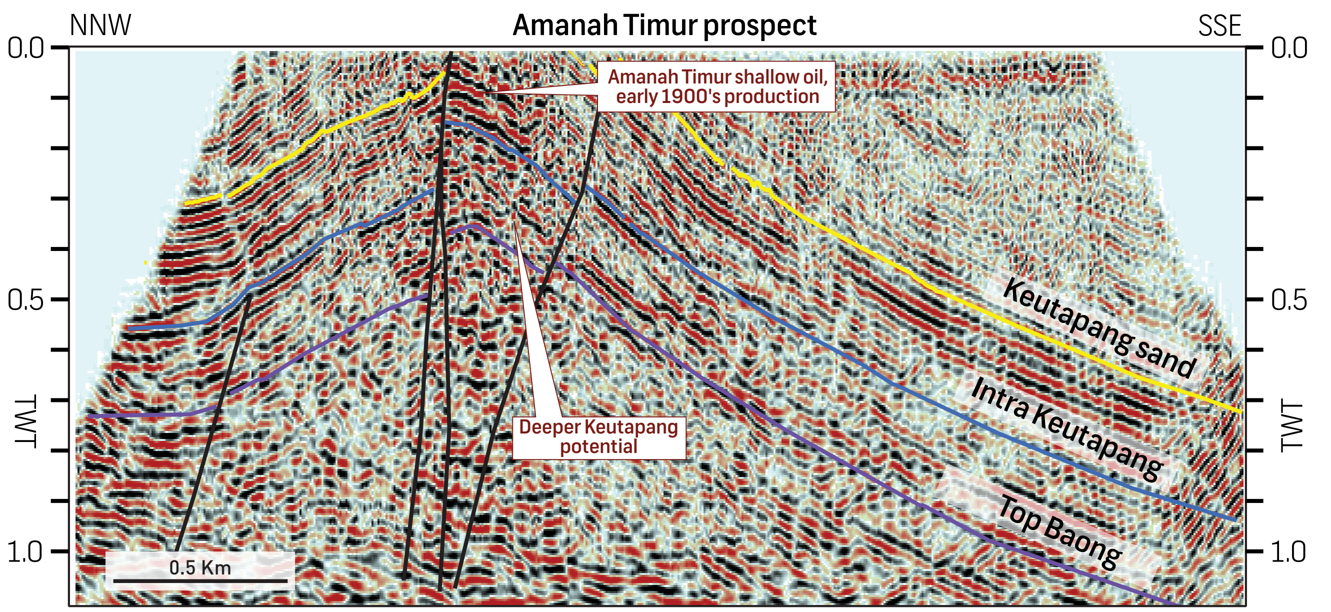
The joint venture is making good progress planning for the Amanah Timur well designed to test the previously named Paya Bili Prospect. The operator has sent out tender documentation with bids received in early January 2016 for a suitable rig and these are currently being evaluated.

This is a shallow, low-cost well testing a well-defined anticline which has existing shallow oil reservoirs that produced approximately 200,000 barrels of oil in a period prior to WWII. The planned well will test this sequence and deeper undrilled gas and oil prospective reservoirs within the objective Late Miocene Keutapang section. It has near-term commercialisation potential with good infrastructure in close proximity and oil as well as gas anticipated.

Prospective resource[1] (100%):

Oil (mmbbl) P90: 1.7 P50: 3.9 Mean: 4.6 P10: 8.8

Gas (bcf) P90: 2.0 P50: 4.5 Mean: 5.3 P10: 10.0



Jerneh Prospect

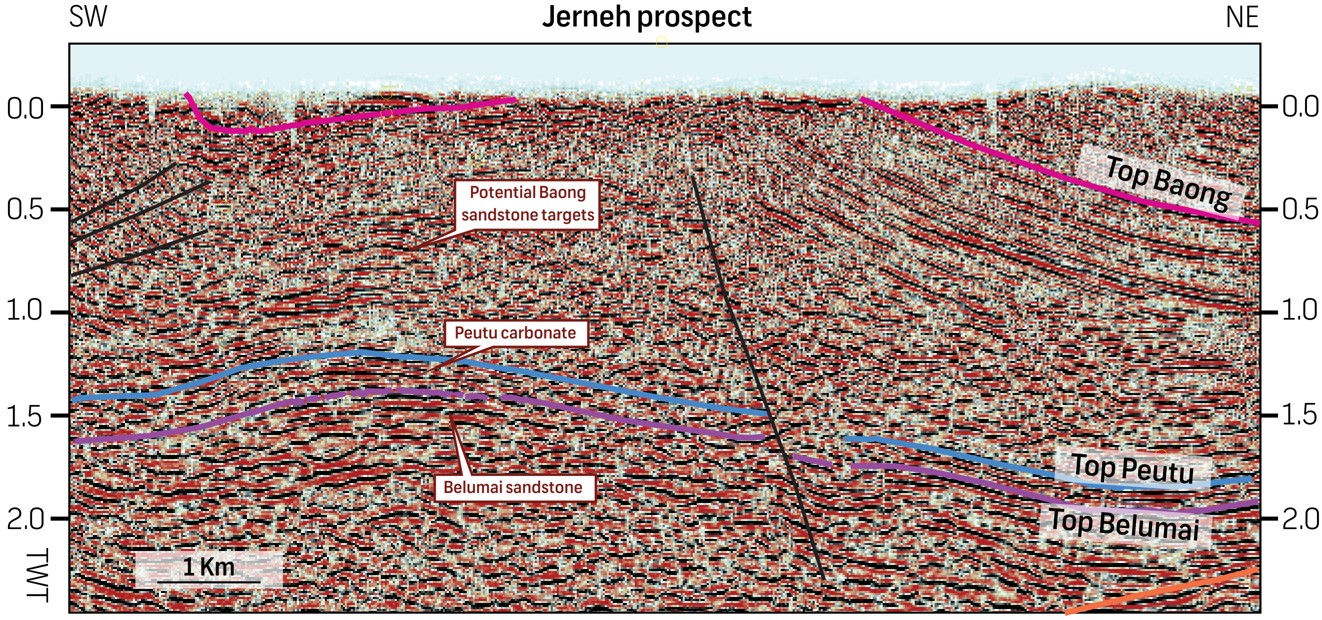
Work has also progressed on well planning for drilling the exciting Jerneh gas condensate prospect in the west of the South Block A block. The seismic shot in 2014 confirmed Jerneh as one of the largest undrilled structures in onshore Sumatra and a well to a depth of approximately 1900m will test the prospect. The Peutu limestone and Belumai sandstone, which are major reservoirs in the North Sumatra basin, are the primary objectives. The new Arun to Medan gas pipeline is within 20km of the prospect and there is strong demand for gas in the region.

Prospective resource[1] (100%):

Gas (bcf) P90: 64 P50: 223 Mean: 329 P10: 760

Cond (mmbbl) P90: 1.5 P50: 5.3 Mean: 7.5 P10: 17.6

[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 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.



UNCONVENTIONAL JOINT STUDIES

Lion has identified substantial potential in Indonesia, and in particular in Sumatra for unconventional resources of shale gas, shale oil, tight gas and tight oil. Lion's strategy to target these resources is set with a backdrop of:

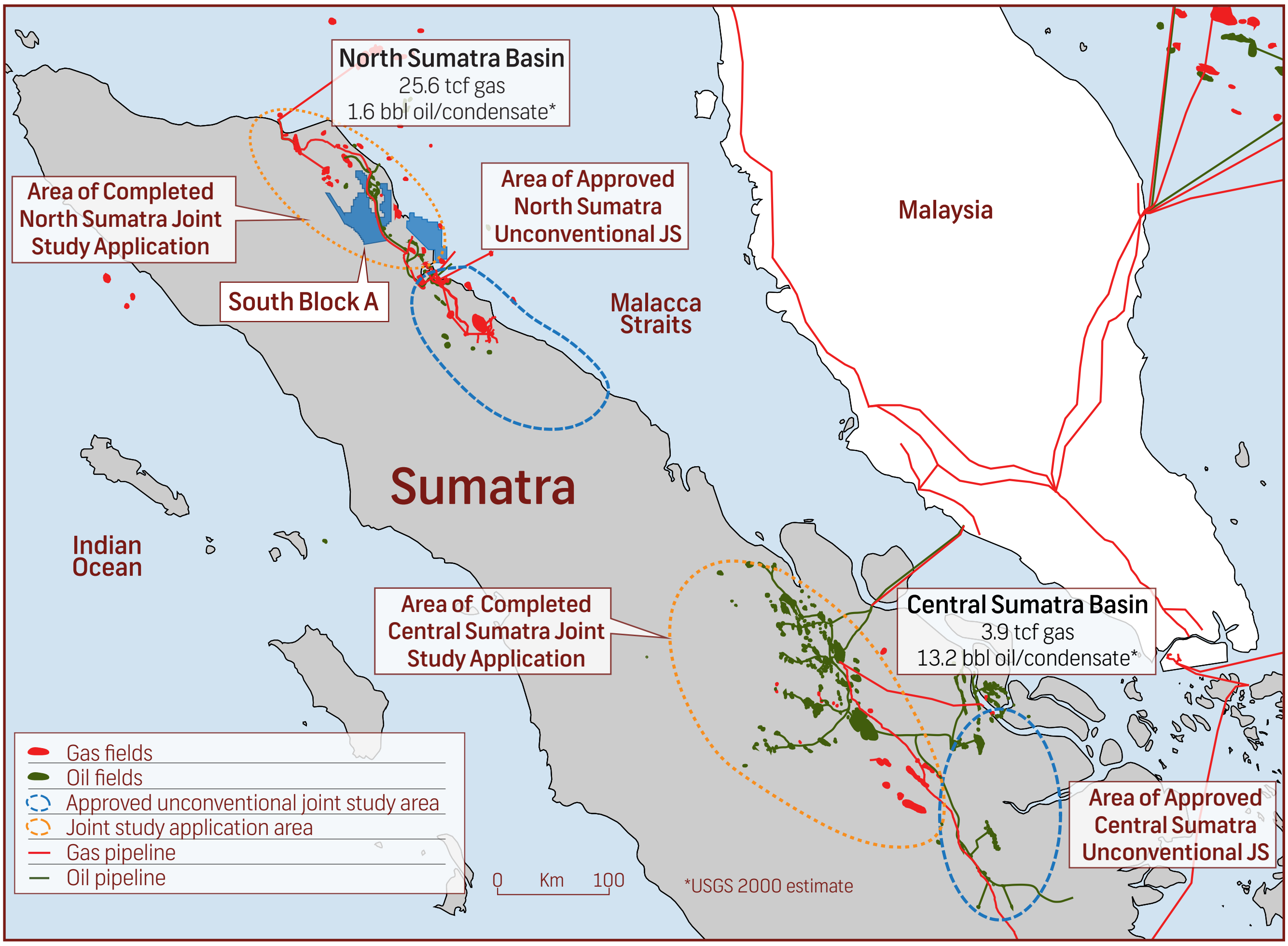
- the energy demands of a growing population approaching 250 million and still at the steep part of the energy consumption / capital growth curve;
- solid economic growth.
- declining production from existing conventional oil and gas fields in Sumatra; and
- material conventional hydrocarbon reserves becoming increasingly difficult to find and expensive to develop.

Indonesia became a net oil importer for the first time in 2004, and there is a major projected shortfall in gas supply in the energy hungry Sumatra-Java corridor in coming years. The Ministry of Energy and Mineral Resources has a National Energy Mix Target in 2025 to increase the use of natural gas from 21% to 30% of total energy use.

Building on lessons from the success of unconventional plays in the US, with a framework of new regulations and the encouragement of the Government of Indonesia, Lion has started to focus on the exploration and appraisal of unconventional resources in Indonesia's proven hydrocarbon basins. Lion, as a first mover through its involvement in KRX, and with the proposed acquisition of all rights under the AMI Agreement, including the rights to progress the Joint Study Applications, is well placed to build a significant unconventional gas and oil position. The group has targeted areas that meet the following criteria:

- prospective rocks/geology;
- access to infrastructure and markets;
- suitable operational environment; and
- commercially attractive.

Lion has submitted 4 joint study application to date covering approximately 17,334 km^2; two over parts of the North Sumatra basin and two in the Central Sumatra basins. Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of the applications. Significant progress was made during 2015 on two high graded joint studies; the North Sumatra "Bohorok" Joint Study and Central Sumatra "Bengkalis", with both completed post reporting period end in February 2016.



Area of Completed North and Central Sumatra Unconventional JS

North Sumatra "Bohorok" Unconventional Joint Study

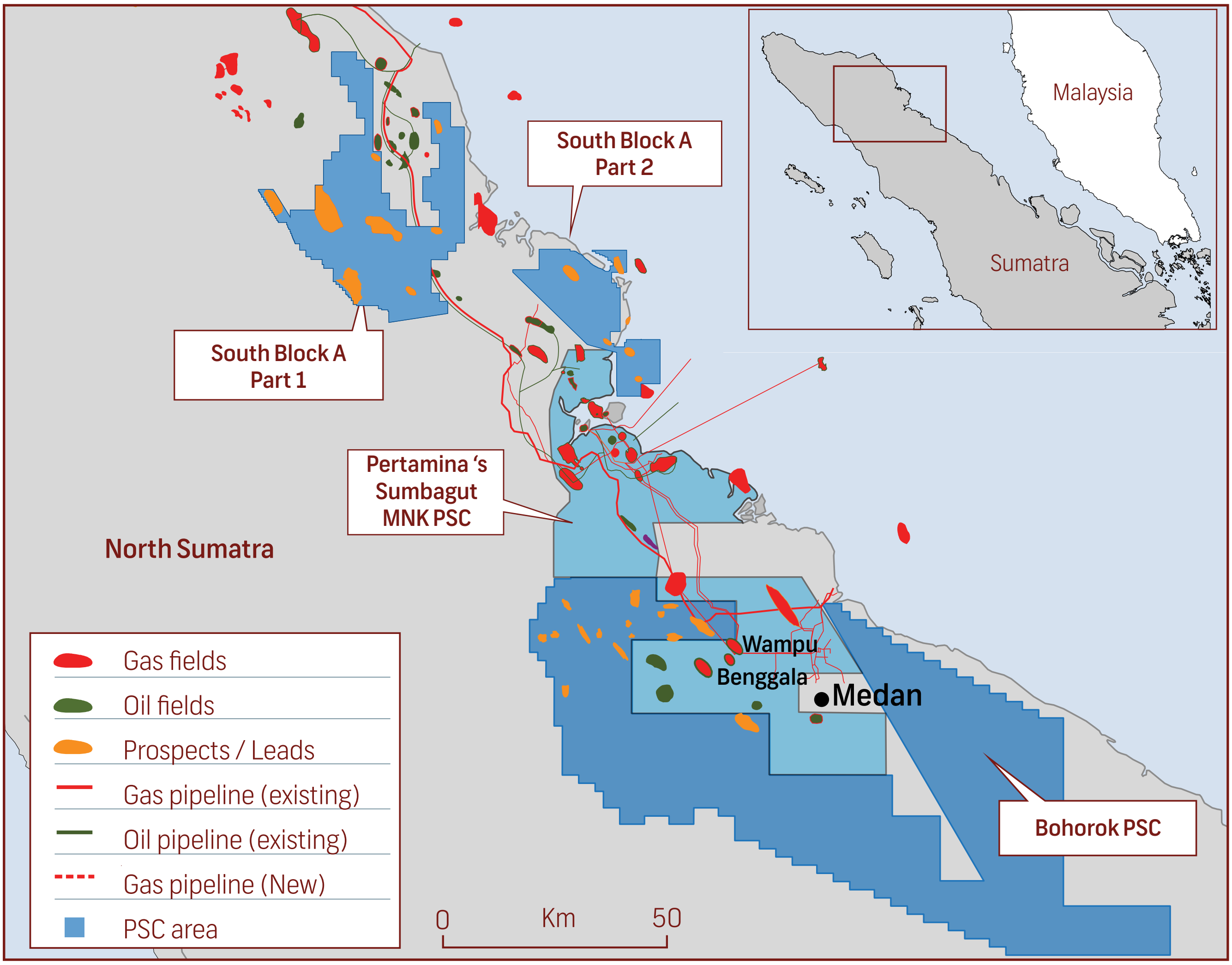
The unconventional joint study covering 4684km^2 was awarded on 20 February 2015. The Lion joint study area is located in the prolific North Sumatran Basin to the south of the South Block A PSC in which Lion holds a 35% interest and is in close proximity to the first unconventional PSC in Indonesia awarded to Pertamina in 2013 (Sumbagut MNK PSC).

Lion holds a 55% interest and is Operator of the joint study with the partly overlapping conventional PSC holders (Bukit, New Zealand Oil and Gas and SBL) having 45% interest. The cooperation with conventional holders will allow the joint venture to capture significant synergies between conventional and unconventional exploration.

The study was jointly undertaken with Padjadjaran University in Bandung. Interpretation of over 300 samples obtained from a field trip were analysed and show positive characteristics for shale and tight gas plays with attractive total organic carbon content (TOC) and mineralogy indicating rocks are brittle with high quartz and carbonate content. Multi-tcf gas potential has been identified by the study and new unconventional fiscal terms combined with the high gas prices in the area, with close proximity to Medan (Indonesia's 3rd largest city), provide an attractive commercial framework. The final technical meeting with the Indonesian regulator MIGAS, which marks the completion of the study, was held on 19 February 2016. The timing of the release of the resultant PSC for tender will be dependent upon MIGAS, at which time Lion and its consortium members will have a right to match any offers for the block.

Interest holders in the Bohorok unconventional joint study application are as follows:

Participant	Interest
	%
Lion Energy (Operator)	55.00
Bukit Energy	20.25
New Zealand Oil & Gas	20.25
Surya Buana Lestarijaya	4.50



North Sumatra - location map

Central Sumatra "Bengkalis" Unconventional Joint Study

An unconventional joint study, covering 2481km^2, located in the east of the Central Sumatra Basin covering part of the Bengkalis Graben was awarded on 20 February 2015.

Lion has a 75% interest in this joint study. The conventional rights holders in the area of the joint study have an option to maintain a 25% interest in the resultant PSC, if awarded, by paying 25% of the joint study costs at completion of the study. Lion in return will evaluate the conventional potential of the area with the opportunity to review an interest if technically warranted. This cooperation between conventional and unconventional rights holders is a key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depo-centres within the province. It hosts major discoveries which provides encouragement for the unconventional potential (shale gas/oil and tight gas/oil). Evaluation by Lion indicates the prospective source rocks in the area are at a suitable maturity and depositional setting to be highly attractive unconventional targets.

The joint study has been conducted with the Institute of Technology Bandung integrating regional geological and geophysical, to create a model of potential unconventional "sweet spots" within the area. The final technical meeting with the Indonesia regulator MIGAS, which marks the completion of the study, was held on 19 February 2016. The timing of the release of the resultant PSC for tender will be dependent upon MIGAS, at which time Lion and its consortium members will have a right to match any offers for the block.

Central Sumatra unconventional joint study interest holders:

Participant	Interest %
Lion Energy (Operator)	75.00
Conventional PSC rights holder	25.00

NEW BUSINESS OPPORTUNITIES

Lion has an ongoing active new business program aimed at acquiring production or near-term production assets in target basins primarily in Sumatra. With the challenging industry environment the region is opportunity rich and Lion is able to leverage the company's technical and commercial expertise and large database and regional knowledge to efficiently and effectively evaluate these opportunities.

> "...new business program aimed at acquiring production or near-term production assets in target basins primarily in Sumatra"

GLOSSARY

bcf: billion cubic feet

bopd: barrels oil per day

GWC: gas water contact

JS: joint study

mbbl: thousand barrels

MD: measured depth

mmbbl: million barrels

mmscfgd: million standard cubic feet of gas per day

PSC: production sharing contract

psi: pounds per square inch

POFD: plan of further development

ss: subsea

tcf: trillion cubic feet

TD: total depth

TVD: true vertical depth

1P: Proven

2P: Proven + Probable

3P: Proven + Probable + Possible

RESERVES AND RESOURCES

Indonesia 31 December 2015	Lion Equity Share					
	Gas/Associated Gas (Recoverable, bcf)			Oil/Condensate (Recoverable, mmbbl)		
Reserves[1]	**1P**	**2P**	**3P**	**1P**	**2P**	**3P**
Oseil Area Developed[2]				0.096	0.096	0.096
Oseil Area undeveloped[3]				0.026	0.057[4]	0.121[4]
Total Seram (Non-Bula) PSC				0.122	0.153	0.217

Contingent Resources[5]	**1C**	**2C**	**3C**	**1C**	**2C**	**3C**
Oseil Area	0.01	0.03	0.26	0.04	0.07	0.44
Lofin Field[6]	21.99	50.50	n/a	0.20	0.46	n/a
Total Seram (Non-Bula) PSC	22.00	50.54	0.26[7]	0.24	0.52	0.44[7]

Prospective Resources[8,9,10]	**Low P90**	**Best P50**	**High P10**	**Low P90**	**Best P50**	**High P10**
Total South Block A PSC	66.8	180.1	498.5	3.0	8.7	24.1

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. 2P and 3P developed reserves have not been separately estimated by the independent expert and are included in undeveloped category in this table.
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.
4. Undeveloped Probable and Possible reserves are included in this table however it should be noted there is uncertainty on whether these can be recovered prior to PSC expiry in 2019 as the recovery will require significant investment.
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. Material change to Lofin Field contingent resource (Previous 2C contingent resource net to Lion was 0.645 bcf gas and 0.007 mmbbl condensate) due to positive outcome of Lofin-2 appraisal well.
7. 3C contingent resources have not been calculated for the Lofin Field. The 3C number provided refers to Oseil area only.
8. 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.
9. 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.
10. No prospective resources provided for the Unconventional Joint Studies or Joint Study Applications as these have not yet been converted to PSC's as at 31 December 2015.

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, Chief Executive Officer of Lion Energy Limited. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has over 28 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 a yearly audit on the Oseil field reserves and contingent resources is organised by the Operator effective end of the calendar year. A Lofin Contingent Resource estimate was organised by the Operator of the project after completion of the Lofin-2 appraisal well. These audits are undertaken by independent third party resource evaluators. Results are reviewed and compiled internally by Lion Energy, overseen by the Chief Executive Officer 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 (Chief Executive Officer). 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.

DIRECTORS' 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") for the 18 month period ended 31 December 2015. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

As announced on 4 June 2015 Lion Energy Limited had to change its financial year to 1 January 2015 to 31 December 2015 to be in line with its majority shareholder Risco Energy Pte Ltd as required by the Singapore Companies Act.

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
William (Kim) Morrison
Stuart B. Smith
Thomas Soulsby
Christopher Newton

PRINCIPAL ACTIVITIES

The principal activities of the Company 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 operating and comprehensive loss for the Consolidated Entity, after income tax amounted to $835,963 (2014: $1,113,449) for the 18 month period ended 31 December 2015.

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 period ended 31 December 2015.

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:

SHAREHOLDING CHANGES

On 16 and 18 July 2014 respectively, Tower Energy Indonesia Ltd (Tower) and Risco Energy Unconventional Pte Ltd (REU) announced that Tower had transferred 7,842,215 shares to REU pursuant to a Deed of Settlement. As a result, Tower's interest in the company was reduced from 14.36% to 6.11% and REU's beneficial interest increased from 47.03% to 55.28% as at the date of the transfer.

UNMARKETABLE PARCEL SALE FACILITY

On 21 July 2014 the Company announced that it had instituted the sale of ordinary shares for holders of unmarketable parcels of the Company's shares. The ASX Listing Rules define an unmarketable parcel as those with a market value of less than $500. As at 7.00pm (AEST) on 16 July 2014 (Record Date), an unmarketable parcel of shares was any shareholding of 2777 ordinary shares or less, based on the closing price of $0.18 on the Record Date (Closing Price), representing 589,512 ordinary shares, held by 1574 shareholders at that date ("Minority Members").

As at 7pm (AEST) on 4 September 2014 (Retention Date), The Company received retention requests from 193 shareholders representing 91,715 shares. The shares from the remaining 1,371 shareholders with unmarketable parcels totalling 490,263 shares will be sold by Lion in due course at the 30 day VWAP price of 19.88 cents per share, for a total $97,464.28. Funds will distributed to the 1,371 shareholders with unmarketable parcels who did not elect to retain their shares.

SHARE BASED COMPENSATION

On 19 August 2014, Lion announced that it had issued 214,096 ordinary shares to members of the advisory panel per the terms of their engagement, and also to some key consultants under separate agreements.

On 25 February 2015, Lion announced that it had issued 795,769 ordinary shares to staff, consultants and director Stuart Smith.

On 15 October 2015, Lion announced that it had issued 158,135 ordinary shares to members of the advisory panel per the terms of their engagement, and also to some key consultants under separate agreements.

Apart from conserving cash, Lion believes that including a share component builds a greater level of alignment with shareholders than usually seen with advisors/consultants.

PRODUCTION PERFORMANCE

The company has been able to grow its production significantly over the past 18 months in the Seram (Non--Bula) PSC, where Lion holds a 2.5% interest. During the reporting period from 1 July 2014 to 31 December 2015 from the Oseil oilfield and surrounding structures was 1,768,651 bbl of crude oil at an average daily rate of 3230 barrels of oil per day "bopd" (81 bopd net to Lion). This compares to an average daily rate of 2,589 bopd (64.7 bopd net to Lion) for 1 July 2013 to 30 June 2014 reporting period.

During the reporting period the Seram joint venture secured all external approvals for a third phase of development drilling on the Oseil Field (referred to by the regulators as a Plan of Further Development or POFD), with up to 10 wells within the Oseil-2 field area. The Phase 3 POFD was formally approved by the Indonesian regulatory body, SKK Migas, on 5 May 2015. Six of the ten wells approved have already been drilled as at December 31 2015. During the reporting period the Seram joint venture successfully drilled the Oseil-27, Oseil-28 and Oseil-22 development wells.

EXPLORATION AND APPRAISAL

On the exploration and appraisal front, the Lofin-2 appraisal well was spudded in October 2014 following extensive geological and engineering review of the 2012 Lofin-1 gas condensate discovery which reached a total depth of 4164m. Lofin-2 successfully reached a total depth of 5686m on 1 May 2015, making it one of the deepest well ever drilling in Indonesia, and proved a gas /condensate column of up to 1300 m in the large Lofin structure.

Lion's contingent resources estimate (2C Best Estimate) for the Lofin discovery is in excess of 2 trillion cubic feet of gas associated with 18.25 million barrels of condensate (on a 100% basis) with the company's 2.5% working interest representing a 2C contingent resources of 50 billion cubic feet of gas, associated with 0.46 million barrels of condensate.

This is a significant discovery; one of the largest in the region in recent times.

The Seram PSC partners are working together in presenting to the Indonesian regulator, SKK MIGAS, for an extension or renewal of the PSC to permit them to continue oil and gas exploration, development and production beyond the current PSC expiry date of 31 October 2019. Obtaining this extension is a key step to allow the Lofin discovery to be commercialised.

Lion holds a 35% interest in the under-explored South Block A PSC located in the prolific North Sumatra Basin. Acquisition of a 183km 2D seismic survey was completed in April 2014, targeting existing structures identified by the joint venture and interpretation of the new data was completed in early 2015.

A number of attractive prospects have been high graded by the new seismic. This includes the Amanah Timur Prospect, a well-defined anticline which has shallow oil reservoir targets that have produced approximately 200,000 barrels of oil pre WWII and deeper undrilled gas and oil reservoirs. The attraction of this prospect is its low cost and near term commercialisation potential.

Significant work has also been undertaken on the world class Jerneh gas condensate prospect in the west of South Block A PSC.

AWARD OF JOINT STUDIES

The Company, through its wholly owned subsidiaries, had previously submitted four Joint Study Applications for potential oil and gas unconventional areas in onshore Indonesia covering a total area of about 17,334km^2.

On 2 March 2015, the Company announced that it had been awarded two unconventional joint studies over highly prospective Sumatran acreage. Lion holds a 55% interest and is Operator of the North Sumatra "Bohorok" Unconventional Joint Study covering an area of 4684 square kilometres, located to the south of the South Block A PSC. The second of the joint studies awarded in early 2015 covers an area of 2481 square kilometres and is located in the east of the Central Sumatra Basin, Lion also has a 75% interest and is Operator of this study. Both studies have proceeded well with the assigned Indonesian universities. The final technical meeting with the Indonesian regulator MIGAS was held post reporting period end.

By completing the joint studies Lion and its respective joint study partners hold a priority right (right to match highest bid) for subsequent PSC gazettals over high-graded areas of the studies.

Further details of the transactions can be found in the following announcements to the ASX:

31/07/2014	Quarterly Cashflow Report
31/07/2014	Quarterly Activities Report
29/10/2014	Quarterly Cashflow Report
29/10/2014	Quarterly Activities Report
06/11/2014	Spudding of high-potential Lofin-2 appraisal well
24/12/2014	Lofin-2 drilling on-schedule, continued strong production
19/12/2014	Lion joins forces with conventional PSC holders to explore
30/01/2015	Quarterly Cashflow Report
30/01/2015	Quarterly Activities Report
19/02/2015	Lofin-2 operational milestone reached.Oseil dev well to spud
02/03/2015	Lion awarded two unconventional joint studies
17/03/2015	Update Lofin-2 appraisal well
25/03/2015	Encouraging gas shows in Lofin-2 appraisal well
15/04/2015	Evaluation of promising Lofin-2 with testing planned
29/04/2015	CITIC Resources announcement - Lofin-2 well
30/04/2015	Third Quarter Cashflow Report
30/04/2015	Third Quarter Activities Report
15/05/2015	Testing of Lofin-2 to continue despite operational challenge
18/05/2015	Seram development drilling boosts production, more wells pla
26/05/2015	Trading Halt
28/05/2015	Lofin-2 flows gas, confirms material discovery
21/07/2015	Seram PSC Operations Update
30/07/2015	Quarterly Cashflow Report
30/07/2015	Quarterly Activities Report
14/09/2015	Seram oil production further boosted
06/10/2015	Trading Halt
08/10/2015	Milestone Lofin discovery - 2tcf contingent resource
30/10/2015	Quarterly Cashflow Report
30/10/2015	Quarterly Activities Report
24/11/2015	Spudding of sixth well in Phase 3 development

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

On 22 January 2016, escrow on 15,625,049 fully paid ordinary shares in the Company and 406,250 unlisted options exercisable at $0.26 each expiring on 16 January 2017 ceased.

An updated reserves report commissioned by the operator of the Seram Project by US company, DeGoyler & McNaughton (D&M), was received after year end. The report is effective 31 December 2015, and is based on 2015 gross production of 1221mbbl (3345 bopd). The report shows an increase in Proven reserves (2015: 4881mbbl compared to 2013: 4746mbbl), despite the production, primarily due to an increase in Proven reserves for the Oseil-2 area of the Oseil field over the 31 December 2014 report due to development drilling success, primarily based on success outcomes in development wells Oseil-26 and Oseil-27.

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

LIKELY DEVELOPMENTS

The Company will continue to pursue its principal activity of oil and gas exploration and evaluation, particularly in respect to the projects, as outlined under the heading 'Significant changes in the state of affairs and Review of operations' of this Report. The Company will also continue to evaluate new business opportunities in Indonesia with a focus on adding production.

EXPLORATION RISK

Oil and Gas exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it 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 difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

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

RUSSELL ERNEST BRIMAGE
CHAIRMAN (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:	Executive Chairman
Interest in shares and options of the Company:	4,428,329 Ordinary Shares
Directors meetings attended:	4 of 4 held during term of directorship in financial period
Director since:	2005

WILLIAM KIM MORRISON
MANAGING DIRECTOR & CEO (EXECUTIVE)

Qualifications and Experience:

Mr Morrison has a successful 28 year career working in senior technical and managerial positions with both majors and small cap companies in locations throughout the world. He graduated from The University of Sydney in 1984 with an Honours degree in Geology and Geophysics and also holds a Diploma in Applied Finance and Investment from The Securities Institute of Australia.

Mr Morrison commenced his career as a geologist with Hartogen Energy in Sydney and in 1989 joined Marathon Oil in Perth, subsequently moving with them to Jakarta and Houston. In 2000 he returned to Asia with Fletcher Challenge in Brunei as Head of Regional Geology. In 2001, Mr Morrison took on a senior portfolio management role with Shell in Malaysia and was posted to The Hague in 2005 to lead Shell's Asia Pacific New Ventures team. In 2006 he moved to Libya with Woodside as Onshore Exploration Manager and in 2008 returned to Perth as Business Development Manager for Oilex Ltd. Mr Morrison set up an exploration advisory business in 2010 and also co-founded KRX.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	None
Special Responsibilities:	Managing Director and Chief Executive Officer (since 10 January 2014)
Interest in shares and options of the Company:	4,083,349 Ordinary Shares
Directors meetings attended:	4 of 4 held during term of directorship in financial period
Appointed:	10 January 2014

STUART BRUCE SMITH
DIRECTOR (EXECUTIVE)

Qualifications and Experience:

Mr Smith has over 20 years of experience in the energy industry. He spent 16 years in investment banking specialising in the energy sector including involvement in equity research, IPO's, secondary capital raisings and M&A. From 2005 to 2008 Stuart was Head of Asia-Pacific Oil & Gas Research for Merrill Lynch, based in Singapore. In the last six years he has held senior management roles with a number of privately-held Asian-based oil and gas companies, with responsibility for commercial and finance functions. These include Ephindo Energy (Indonesia's leading CBM company), Triton Petroleum and Triton Hydrocarbons.

Mr Smith is a qualified Chartered Accountant (Australia) graduating from the University of Melbourne in 1988, and his initial experience was with Deloitte. From 2009 to 2010 he was a Non-Executive Director of Warsaw listed E&P company, Kulczyk Oil Ventures Inc, where he served on the Audit and Reserves Committees.

Mr Smith was nominated to the Lion Board by Risco Energy Investments Pte Ltd pursuant to its rights under the Risco Placement Agreement dated 20 September 2013.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	None
Special Responsibilities:	Executive Director, with overall responsibility for finance matters for the Group Executive Director KRX Energy Pte Ltd (effective 1 February 2014)
Interest in shares and options of the Company:	250,000
Directors meetings attended:	4 of 4 held during term of directorship in financial period
Appointed:	10 June 2014

THOMAS LEO SOULSBY
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Mr Soulsby is the CEO of Risco Energy 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 and Monash Universities, 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 an energy and 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.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	None
Interest in shares and options of the Company:	Nil
Directors meetings attended:	4 of 4 held during term of directorship in financial period
Appointed:	10 January 2014

CHRISTOPHER BASIL NEWTON
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Mr Newton is director of business development and operations for Risco Energy. In a career spanning 35 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.

A 1978 Geology graduate from Durham University, 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 South East 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 in July 2010.

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 remains an advisor to the IPA Board and is also the oil and gas advisor to the Jakarta based Castle Asia Group.

Directorships of other listed companies in the 3 years prior to the end of the Financial Period:	None
Interest in shares and options of the Company:	Nil
Directors meetings attended:	4 of 4 held during term of directorship in financial period
Appointed:	10 January 2014

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 9 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 CFO for Enterprise Metals Limited (ASX: ENT) and Enterprise Uranium Limited (ASX: ENU) and is the joint Company secretary for Ardiden Limited (ASX: ADV)

Appointed: 1 July 2015.

DIRECTORS MEETINGS

During the period ended 31 December 2015, 4 meetings of directors were held. Previously and to date, due to the size of the company, there have been no board committees formed. However, it is the company's intention to form Audit and Remuneration & Nomination in the 2016 financial year.

REMUNERATION REPORT (AUDITED)

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

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial period or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives. There are no contracts with directors.

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:

Russell Brimage	Executive Chairman
Kim Morrison	CEO and Managing Director
Stuart Smith	Executive Director
Christopher Newton	Non-Executive Director
Thomas Soulsby	Non-Executive Director

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel 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 are set out below.

Name	Base Salary (inclusive on consulting fees)	Term of Agreement	Notice Period
Russell Brimage	A$100,000*[1]	No fixed term	N/A
Kim Morrison	A$216,000*[2]	No fixed term	3 months
Stuart Smith	US$132,000	No fixed term	3 months
Christopher Newton	US$54,000	No fixed term	N/A
Thomas Soulsby	US$54,000	No fixed term	N/A

* Plus statutory superannuation contributions.

1 - Note: superannuation is only included on the salary portion of Mr Brimage's remuneration.

2 - Note: from 1 October 2015 there was a reduction of Mr Morrison's base salary from A$240,000 to A$216,000. Superannuation is still calculated at the old salary amount.

DETAILS OF REMUNERATION

	Compensation 18 months to 31 December 2015				
	Short Term Benefits $	Super-annuation $	Share based payments $	Total $	Percentage of remuneration that is equity based
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.					
Russell Brimage	116,312	3,910	-	120,222	0%
Kim Morrison	293,424	27,048	-	320,472	0%
Stuart Smith	216,817	-	38,925[1]	255,742	15.22%
Thomas Soulsby	35,500	-	-	35,500	0%
Christopher Newton	57,125	-	-	57,125	0%
TOTAL COMPENSATION – FOR KEY MANAGEMENT PERSONNEL	719,178	30,959	38,925	789,061	

	Compensation year ended 2014				
	Short Term Benefits $	Super-annuation $	Share based payments $	Total $	Percentage of remuneration that is equity based
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.					
Russell Brimage	184,959	1,528	-	186,487	0%
Kim Morrison	110,488	9,577	-	120,065	0%
Stuart Smith	43,299	-	-	43,299	0%
Thomas Soulsby	-	-	-	-	n/a
Christopher Newton	-	-	-	-	n/a
Weidong Zhang	25,972	-	-	25,972	0%
Simon Reeve	29,950	-	-	29,950	0%
TOTAL COMPENSATION - DIRECTORS	394,667	11,105	-	405,772	
COMPENSATION OF OTHER KEY MANAGEMENT PERSONNEL BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.					
Jack Toby	96,374	-	-	96,374	0%
TOTAL COMPENSATION FOR OTHER KEY MANAGEMENT PERSONNEL	96,374	-	-	96,374	

1 – The Company provided Mr Smith with 250,000 shares at A$0.20 each as part of his employment contract with the Company. This issue of these shares was approved by a meeting of shareholders. There was no other equity compensation issued to directors or executives during the year ended 31 December 2015

Note: 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 2015.

The Company also reimburses validly incurred business expenses of directors.

SHARES AND OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	Number of Ordinary Shares			
	1 July 2014 or Appointment	Issued as Compensation	Net Change Other	31 December 2015 or Resignation
Russell Brimage	4,428,329	-	-	4,428,329
Kim Morrison	4,083,349	-	-	4,083,349
Stuart Smith	-	250,000	-	250,000
Christopher Newton	-	-	-	-
Thomas Soulsby	-	-	-	-
	8,511,678	250,000	-	8,761,678

	Number of Options			
	1 July 2014 or Appointment	Issued as Compensation	Net Change Other	31 December 2015 or Resignation
Russell Brimage	229,167	-	(229,167)	-
Kim Morrison	-	-	-	-
Stuart Smith	-	-	-	-
Christopher Newton	-	-	-	-
Thomas Soulsby	-	-	-	-
	229,167	-	(229,167)	-

All options are vested and exercisable.

OTHER INFORMATION

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

In the prior period Pouvoir Pty Ltd (Pouvoir) is the trustee for the Brimage Family Trust and provides consulting services to the company. Pouvoir is a related party of Mr Russell Brimage. The Company provided Pouvoir with 550,000 shares at $0.20 each and 229,167 free attaching options expiring on 10 July 2015 pursuant to the Pouvoir Fee Payment Agreement as part of the recapitalisation of Lion Energy on the 13 January 2014.

Apart from disclosed elsewhere in this report, there were no transactions with Key Management Personnel during the period.

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

At the last AGM the shareholders voted to adopt the remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration policies.

End of Audited Section

SHARE OPTIONS ISSUED AND OUTSTANDING

The following Options were issued on 10 January 2014 and expired during the reporting period:

Unlisted Options exercisable at $0.26 expiring on 10 July 2015	Number
Unlisted Options issued to Tower under the Convertible Loan	781,250
Unlisted Options issued to REU under the Convertible Loan	2,343,750
Unlisted Options issued to Pouvoir Pty Ltd under the Fee Payment Agreement	229,167
Unlisted Options issued under the Loan Repayment Agreements:	
KKSH Holdings Ltd	104,167
Mr Richard Charles Grigg	208,333
Total Options exercisable at $0.26 expiring on 10 July 2015	**3,666,667**

The following Options were issued on 16 January 2014 and remain outstanding as at 31 December 2015:

Unlisted Options exercisable at $0.26 expiring on 16 January 2017	
Unlisted Options issued to Halcyon pursuant to corporate advisory agreement	406,250
Total Options exercisable at $0.26 expiring on 16 January 2017	**406,250**

No share options were issued subsequent to the period ended 31 December 2015.

SHARE OPTIONS EXERCISED

Subsequent to the period ended 31 December 2015, no ordinary shares were issued by virtue of the exercise of options.

During the previous financial year ended 30 June 2014, 5,748 ordinary shares were issued by virtue of the exercise of options exercisable at $0.24 on or before 31 December 2013.

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

During the financial period, the Company paid premiums for Directors and Officers liability insurance of $10,352 (2014: $13,585). Except as disclosed above, the Company has not, during or since the financial period, in respect of any person who is or has been an officer or auditor 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

On 7 October 2011 the Company announced that, it had reached an agreement with Tulloch Lodge Limited (In Liquidation) ("Tulloch") to settle an action by Tulloch against the Company by payment to Tulloch of A$737,500. These funds were paid and the settlement obligations of both parties completed. Lion subsequently issued instructions to its legal representatives to pursue recovery of the settled sum from office holders responsible for the conduct of the Company during the time the misappropriation of funds occurred. During the current period this action was settled out of Court with the prior office holders for a total amount of A$130,000 (US$98,238).

Apart from the matter noted above, 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.

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 2015. This declaration has been included in this document.

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

Signed in accordance with a resolution of the directors.

Russell Brimage
Director
30 March 2016
Perth, Western Australia

DIRECTORS' DECLARATION

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

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) complying with International Financial Reporting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b) giving a true and fair view of the financial position as at 31 December 2015 and of the performance for the period ended on that date of the Consolidated Entity;

    c) the remuneration report disclosures set out on pages 40 to 41 of the directors' report (as part of the Remuneration Report), for the period ended 31 December 2015, comply with section 300A of the Corporations Act 2001.

2) the Chief Executive Officer and Chief Finance Officer have each declared that:

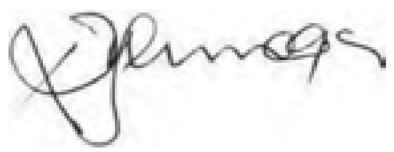
    a) the financial records of the Company for the financial period have been properly maintained in accordance with section 295A of the Corporations Act 2001;

    b) the financial statements and notes for the financial period comply with the International Financial Reporting Standards; and

    c) the financial statements and notes for the financial period give a true and fair view;

3) in the director's opinion 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 of Directors.



Russell Brimage
Director
30 March 2016
Perth, Western Australia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2015

		Consolidated Entity	
	Note	18 Months to 31 December 2015 $	12 months to 30 June 2014 $
Sales revenue	4	2,168,104	2,068,060
Cost of goods sold	4	(1,755,864)	(1,183,870)
GROSS PROFIT		**412,240**	**884,190**
Other operating income	4	98,238	-
Financing income	4	12,984	12,086
Administration expenses	4	(1,262,205)	(1,215,518)
Employee benefit expenses		(824,399)	(333,392)
Financing costs	4	-	(235,797)
Foreign exchange losses		(57,801)	(594,719)
Share of losses of associates accounted for using the equity method	4	-	(154,152)
LOSS BEFORE INCOME TAX EXPENSE		**(1,620,943)**	**(1,637,302)**
Income tax benefit/(expense)	5	784,980	(93,091)
LOSS AFTER RELATED INCOME TAX EXPENSE		**(835,963)**	**(1,730,393)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		-	616,944
Income tax relating to components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		**-**	**616,944**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(835,963)**	**(1,113,449)**
EARNINGS/(LOSS) PER SHARE			
BASIC LOSS PER SHARE (CENTS PER SHARE)	6	(0.87)	(2.87)
DILUTED LOSS PER SHARE (CENTS PER SHARE)	6	(0.87)	(2.87)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Consolidated Entity 31 December 2015 $	30 June 2014 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	18	2,129,296	5,822,258
Trade and other receivables	7	674,939	131,674
Inventories	8	337,680	329,626
TOTAL CURRENT ASSETS		**3,141,915**	**6,283,558**
NON-CURRENT ASSETS			
Plant and equipment	9	17,839	22,917
Receivables	10	131,250	131,250
Capitalised exploration and evaluation expenditure	11	8,025,118	7,340,094
Oil & gas properties	12	1,338,180	441,488
TOTAL NON-CURRENT ASSETS		**9,512,387**	**7,935,749**
TOTAL ASSETS		**12,654,302**	**14,219,307**
CURRENT LIABILITIES			
Trade and other payables	13	789,596	916,627
TOTAL CURRENT LIABILITIES		**789,596**	**916,627**
NON-CURRENT LIABILITIES			
Provision for deferred income tax	14	-	784,980
TOTAL NON-CURRENT LIABILITIES		**-**	**784,980**
TOTAL LIABILITIES		**789,596**	**1,701,607**
NET ASSETS		**11,864,706**	**12,517,700**
EQUITY			
Issued capital	15	47,421,356	47,238,387
Reserves	16	2,835,705	2,835,705
Accumulated losses		(38,392,355)	(37,556,392)
TOTAL EQUITY		**11,864,706**	**12,517,700**

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	Consolidated Entity 18 Months to 31 December 2015 $	12 Months to 30 June 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,921,380	2,358,198
Receipts from legal settlement		61,748	-
Production expenditure		(1,090,253)	(366,394)
Payments to suppliers and employees		(2,137,792)	(2,102488
Interest received		12,984	9,577
NET CASH FROM OPERATING ACTIVITIES	18	**(1,231,933)**	**(101,107)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,653)	-
Exploration and evaluation expenditure		(740,275)	(1,262,045)
Expenditure on oil and gas properties		(1,570,357)	(1,702,590)
Placement of performance bond collateral		(155,000)	-
NET CASH USED IN INVESTING ACTIVITIES		**(2,467,285)**	**(2,964,635)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		-	8,720,863
Capital raising expenses		-	(628,673)
Proceeds from borrowings		-	530,369
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**-**	**8,622,559**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,699,218)**	**5,556,817**
Net foreign exchange differences		6,256	-
Cash and cash equivalents at beginning of period		5,822,258	265,441
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18	**2,129,296**	**5,822,258**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Currency Translation Reserve $	Accumulated Losses $	Total Equity $
AT 30 JUNE 2013	**34,053,868**	**(277,322)**	**2,245,831**	**(35,825,999)**	**196,378**
Currency translation differences	-	-	616,944	-	616,944
Profit/(Loss) for period	-	-	-	(1,730,393)	(1,730,393)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	**616,944**	**(1,730,393)**	**(1,113,449)**
Transactions with owners:					
Securities issued	13,849,197	-	-	-	13,849,197
Equity raising costs	(664,678)	-	-	-	(664,678)
Share based payments	-	250,252	-	-	250,252
AT 30 JUNE 2014	**47,238,387**	**(27,070)**	**2,862,775**	**(37,556,392)**	**12,517,700**
Currency translation differences	-	-	-	-	-
Profit/(Loss) for period	-	-	-	(835,963)	(835,963)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	-	**(835,963)**	**(835,963)**
Securities issued	186,762	-	-	-	186,762
Share based payments	(3,793)	-	-	-	(3,793)
AT 31 DECEMBER 2015	**47,421,356**	**(27,070)**	**2,862,775**	**(38,392,355)**	**11,864,706**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by Lion Energy Limited A.C.N. 000 753 640 (“Parent Entity” or "Company") and by the Parent Entity and its controlled entities (“Consolidated Entity” or “the Group”) in the preparation of these financial statements.

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, except for any available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is United States Dollars. As announced on 4 June 2015 Lion Energy Limited had to change its financial year to 1 January 2015 to 31 December 2015 to be in line with its majority shareholder Risco Energy Pte Ltd as required by the Singapore Companies Act. Certain comparatives have been reclassified to conform with current year presentation.

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.

New and Revised Standards that are effect for these Financial Statements

The AASB has issued a number of new and revised Accounting Standards and Interpretations are effective for annual periods beginning or after 1 July 2015. These new and revised standards are:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	**1 January 2015**	**1 January 2015**
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.* Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.	1 July 2014	1 January 2015

Reference	Title	Application date of standard*	Application date for Group*
	► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 *Related Party Disclosures* for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.		
Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: • Clarify that AASB 1053 relates only to general purpose financial statements. • Make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*. • Clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements. • Specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	1 January 2015

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** Only applicable to not-for-profit/public sector entities.

The Company has adopted each of the above new and amended standards. The application of these standards did not have a material impact on the results of the Group for the reporting period. Refer to Note 1(u) which details the joint arrangements policy of the Group.

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Company. The new and amended standards that are relevant to the Company are listed below:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new standard **which replaces AASB 139.** This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and **includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.** **AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without**	1 January 2018	1 January 2018

Reference	Title	Summary	Application date of standard*	Application date for Group*
		otherwise changing the accounting for financial instruments. **Classification and measurement** **AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.** The main changes are described below. ***Financial assets*** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. ***Financial liabilities*** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ▸ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▸ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment**		

Reference	Title	Summary	Application date of standard*	Application date for Group*
		The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after **1 January 2015**.		
AASB 2014-3	**Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations** [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.	1 January 2016	1 January 2016
AASB 2014-4	**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)**	**AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets*** both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is	1 January 2016	1 January 2016

Reference	Title	Summary	Application date of standard*	Application date for Group*
		not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
AASB 1056	Superannuation Entities	AASB 1056 is a new Standard applying to superannuation entities replacing AAS 25 *Financial Reporting by Superannuation Plans.* This new standard specifies requirements for general purpose financial statements of superannuation entities and results in significant changes to presentation of financial statements, measurement and disclosure of defined benefit obligations and disclosure of disaggregated financial information.	1 July 2016	1 January 2017
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 January 2016
AASB 2014-9	**Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements**	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 January 2016

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2014-10	**Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10 AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 January 2016
AASB 2015-2	**Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 January 2016
AASB 2015-3	**Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality***	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 January 2016
AASB 2015-4	**Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent**	The amendment aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 July 2015	1 January 2016

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** Only applicable to not-for-profit/public sector entities.

When adopted, the above standards are not expected to impact on the Group's results accounting for financial assets as it does not have any available for sale assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group has decided not to early adopt AASB 9.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by Lion Energy Limited A.C.N. 000 753 640 ("Company") in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

a) Change in 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. During the financial year 2014 the Company completed a major reorganisation, acquiring three new US dollar denominated subsidiaries and became a subsidiary of Risco Energy Unconventional Pte Ltd. Consequently, the directors had determined that the functional currency of the company and each of its subsidiaries is US dollars, as the US dollar is the currency that mainly influences the revenues and costs of both the parent entity and each of its subsidiaries, and is therefore the currency of the primary economic environment in which they operate. The parent entity's functional currency was previously Australian dollars. The change in functional currency of the parent entity has been applied prospectively with effect from 1 July 2014 in accordance with the requirements of the accounting standards.

Following the change in functional currency, the Company has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will enhance comparability with its industry peer group, a majority of which report in US dollars. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively.

To give effect to the change in functional and presentation currency, the assets and liabilities of the company, which had an Australian dollar functional currency at 30 June 2014 were converted into US dollars at a fixed exchange rate on 1 July 2014 of US$1:A$1.0594 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. In order to derive US dollar opening balances, the Australian dollar functional currency assets and liabilities at 1 July 2013 were converted at the spot rate of US$1:A1.0934 on the reporting date; revenue and expenses for the twelve months ended 30 June 2014 were converted at the average exchange rates of US$1:A$1.0895 for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable, and equity balances were converted at applicable historical rates.

The above stated procedures resulted in the recognition of a foreign currency translation reserve of US$2,245,831 on 1 July 2013, as set out in the statement of changes in equity found in the financial report for the period ending 31 December 2015.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Entity and its subsidiaries as at and for the period ended 31 December each year. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. Non-controlling interests are allocated their share of net profit after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary; derecognises the carrying amount of any non-controlling interest; derecognises the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of profit or loss and other comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Company will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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 and other comprehensive income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the statement of profit or loss and other comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the entities in the Group changed during the reporting period as per Note 1a).

d) Taxes

Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non monetary benefits; annual leave; long service leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

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 less than 14 days to maturity.

g) Revenue recognition

Revenue from oil sales is recognised upon completion of each oil lifting by the purchaser. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

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

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

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

j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

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 less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

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) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

n) Trade and other payables

Trade payables and other payables are carried at amortised cost which represents future liabilities for goods and services received, whether or not billed to the Company.

o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of crude oil inventories includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to production activities.

p) 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 below. 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, we conclude that we are 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.

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 - Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates 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 estimate, pending an assessment by the Australian Taxation Office.

Indonesian First Tranche Petroleum (FTP)
At 30 June 2014 a provision for deferred income tax related to tax potentially payable by the Group on its share of First Tranche Petroleum which has already been received from Seram project production. Such tax will only be payable in the event that the contractors exhaust the pool of sunk costs prior to expiry of the PSC.

As a result of the decline in the oil price, and based on existing reserve estimates, the company no longer believes that this sunk cost pool will be fully utilised. As a consequence it is unlikely that the company will be liable for income tax on FTP, and hence the provision has been reversed in the current period.

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.

q) 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 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. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

r) 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 or rights over shares (‘equity-settled transactions’). There is currently a 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. 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.

s) Earnings per share

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

t) Interests in Associates

Associates are entities over which the Consolidated Entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

If the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long term receivables, the Consolidated Entity will not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

u) Interests in Joint Arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 1(t) for a description of the equity method of accounting.

Joint venture 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.

v) 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.

NOTE 2. GOING CONCERN BASIS

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss before income tax of US$1,620,943, expended a net operating cash outflow of US$1,231,933 and expended a net investing cash outflow of US$2,467,285 for the 18 months to 31 December 2015.

The Consolidated Entity is currently in a positive net current asset position, including cash of $2,129,296. The Directors are confident that the Group has sufficient cash to fund its share of currently approved joint venture activities and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group's cash flow.

NOTE 3. GLOSSARY

The following abbreviations are used throughout this report:

the Company	Lion Energy Ltd
Consolidated Entity	Lion Energy Ltd and its controlled entities
the Group	Lion Energy Ltd and its controlled entities
KRX	KRX Energy Pte Ltd
KRX Group	KRX Energy Pte Ltd and its subsidiaries
KRX SBA	KRX Energy SBA Pte Ltd
Parent Entity	Lion Energy Ltd
Tower	Tower Energy Indonesia Ltd
REU	Risco Energy Unconventional Pte Ltd
Risco	Risco Energy Investments Pte Ltd
Risco Group	Risco Energy Investments Pte Ltd and its controlled entities

	Consolidated Entity	
	18 Months to 31 December 2015 $	12 Months to 30 June 2014 $
NOTE 4. REVENUE AND EXPENSES		
The profit/(loss) before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:		
REVENUE		
Oil sales	2,168,104	2,068,060
Finance income:		
Interest receivable from other persons	12,984	12,086
Legal settlement	98,238	-
	111,222	12,086
SHARE OF LOSSES OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		
Share of loss – associated companies	-	154,152
BREAKDOWN OF EXPENSES		
Cost of goods sold:		
Production costs	1,082,199	702,815
Depreciation, Depletion & Amortisation	673,665	481,055
	1,755,864	1,183,870
Administration expenses:		
Depreciation	6,731	3,968
Consultants	400,729	571,095
Consultants - share based payments	145,501	-
Legal expenses	88,332	234,598
Professional fees	281,479	159,766
Rental costs	59,182	44,842
Travel	135,330	37,257
Other administration expenses	144,921	163,992
	1,262,205	1,215,518
Employee benefit expenses		
Wages, salaries and directors fee	786,744	321,983
Share based payments	41,261	-
Superannuation	34,655	11,409
	824,399	333,392
Finance Costs:		
Interest expense	-	235,797

	Consolidated Entity	
	18 Months to 31 December 2015 $	12 Months to 30 June 2014 $

NOTE 5. INCOME TAX

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

LOSS FROM CONTINUING OPERATIONS	(1,620,943)	(1,637,302)
Prima facie income tax benefit on operating loss calculated at 30%	(486,283)	(491,191)
Non-deductible expenses	247,886	269,793
Difference of effective foreign income tax rates	(78,111)	(138,234)
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	316,508	266,541
Deferred tax assets recognised and offset against deferred tax liabilities (refer note 14)	(784,980)	-
INCOME TAX EXPENSE / (INCOME) FROM CONTINUING OPERATIONS	(784,980)	93,091

	Consolidated Entity	
	2015 $	2014 $
UNRECOGNISED DEFERRED TAX BALANCES		
Unrecognised deferred tax asset – temporary differences	13,266	24,445
Unrecognised deferred tax asset – revenue losses	7,729,682	8,173,131
Unrecognised deferred tax asset – capital losses	435,373	563,564
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	8,178,321	8,761,140

NOTE 6. EARNINGS PER SHARE

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

Profit/(Loss) used in the calculation of basic/diluted EPS	(835,963)	(1,730,393)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic/diluted earnings per share	95,694,045	60,322,303

NOTE 7. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade debtors	391,938	49,109
Other debtors and prepayments	128,001	82,565
Performance bond collateral	155,000	-
	674,939	131,674

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

NOTE 8. INVENTORIES

Oil inventories in tank (at cost)	42,360	65,584
Joint Operations materials (at cost)	295,320	264,042
	337,680	329,626

	Consolidated Entity 2015 $	Consolidated Entity 2014 $

NOTE 9. PLANT AND EQUIPMENT

	2015 $	2014 $
PLANT AND EQUIPMENT		
At cost	263,703	251,449
Accumulated depreciation	(245,864)	(228,532)
TOTAL PLANT AND EQUIPMENT	17,839	22,917
MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT		
At the beginning of the financial period	22,917	27,449
Additions	1,653	-
Depreciation expense	(6,731)	(3,968)
Currency exchange adjustment	-	(564)
TOTAL PLANT AND EQUIPMENT	17,839	22,917

NOTE 10. TRADE AND OTHER RECEIVABLES (NON CURRENT)

	2015 $	2014 $
Performance bond collateral	131,250	131,250
	131,250	131,250

Lion, via one of its joint venture partners, has lodged collateral to support its exploration commitments in the South Block A PSC. These funds will only be released once the firm commitment pursuant to the PSC is completed.

NOTE 11. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	2015 $	2014 $
Capitalised exploration and evaluation expenditure	8,025,118	7,340,094
TOTAL	8,025,118	7,340,094
MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE		
At the beginning of the financial period	7,340,094	-
Exploration acquired from subsidiary acquisition	-	4,492,877
Expenditure during the period	685,024	3,310,520
Depreciation, Depletion & Amortisation	-	(463,303)
Currency exchange adjustment	-	-
AT THE END OF THE FINANCIAL PERIOD	8,025,118	7,340,094

NOTE 12. OIL AND GAS PROPERTIES

	2015 $	2014 $
Oil and gas properties	1,338,180	441,488
TOTAL	1,338,180	441,488

	Consolidated Entity 2015 $	Consolidated Entity 2014 $
MOVEMENTS IN THE CARRYING AMOUNT OF OIL AND GAS PROPERTIES		
At the beginning of the financial period	441,488	-
Expenditure during the period	1,570,357	459,240
Depreciation, Depletion & Amortisation	(673,665)	(17,752)
Currency exchange adjustment	-	-
AT THE END OF THE FINANCIAL PERIOD	1,338,180	441,488

NOTE 13. TRADE AND OTHER PAYABLES (CURRENT)

	2015 $	2014 $
Sundry creditors and accrued expenses	248,675	582,572
Share of Joint Operations payables	540,921	334,055
	789,596	916,627

NOTE 14. PROVISION FOR DEFERRED INCOME TAX

	2015 $	2014 $
Provision for deferred income tax	-	784,980
	-	784,980

Provision for deferred income tax at 30 June 2014 related to tax potentially payable by the Group on its share of First Tranche Petroleum (“FTP”) which has already been received from Seram project production. The Group has its share of sunk cost pool amounts available to it (deferred tax assets), which allows it to offset any deferred tax liabilities arising from the Group’s share of First Tranche Petroleum based on forecast cost pool utilisation.

As at 30 June 2014 and based on the then prevailing conditions, it was expected that tax on past FTP income would become payable during the life of the PSC and a provision recognised. As a result of the decline in the oil price, and based on existing reserve estimates, the company estimates that forecast FTP income no longer exceeds current sunk costs (deferred tax assets) forecast to be utilised. Consequently, the provision has been reversed in the current financial period.

	Consolidated Entity 2015 $	Consolidated Entity 2014 $

NOTE 15. ISSUED CAPITAL

	2015 $	2014 $
96,197,377 (2014: 95,029,377) fully paid ordinary shares	47,421,356	47,238,387

MOVEMENTS IN ISSUED CAPITAL

	Shares		$	
	2015	2014	2015	2014
At the beginning of the period	95,029,377	128,004,729	47,238,387	34,053,868
Consolidated on a 1:8 basis on 20 Dec 2013	-	(112,003,713)	-	-
Issued on 13 January 2014	-	69,028,361	-	12,085,597
Issued on 17 January 2014	-	10,000,000	-	1,763,600
Issued on 19 August 2014	214,096	-	39,693	-
Issued on 25 February 2015	795,769	-	123,901	-
Issued on 15 October 2015	158,135	-	23,168	-
Share issue expenses	-	-	(3,793)	(664,678)
AT THE END OF THE FINANCIAL PERIOD	**96,197,377**	**95,029,377**	**47,421,356**	**47,238,387**

On 20 December 2013, the Company performed a share capital consolidation on a 1:8 basis leading the 128,004,729 fully paid ordinary shares then on issue being reduced to 16,000,591 shares.

On 13 January 2014, the Company issued 69,028,361 fully paid ordinary shares at a price of A$0.20 per share. This was to complete the Groups repayment of convertible loans, borrowings, recapitalisation and acquisition of the KRX Group and various AMI interests. The issue of these securities was approved by the Annual General Meeting of shareholders held on 12 December 2013.

On 17 January 2014, the Company issued 10,000,000 fully paid ordinary shares for A$0.20 per share to raise A$2,000,000 pursuant to a public prospectus offer.

On 19 August 2014, the Company issued 214,096 fully paid ordinary shares for A$0.20 per share for a total of US$39,693 to consultants in lieu of cash payments.

On 25 February 2015, the Company issued 795,769 fully paid ordinary shares for A$0.20 per share for a total of US$123,901 to consultants and staff in lieu of cash payments.

On 15 October 2015, the Company issued 158,135 fully paid ordinary shares for A$0.20 per share for a total of US$23,168 to consultants in lieu of cash payments.

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. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. 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 2015 $	Consolidated Entity 2014 $
NOTE 16. RESERVES		
Option premium reserve	(27,070)	(27,070)
Currency translation reserve	2,862,775	2,862,775
	2,835,705	2,835,705
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the financial period	(27,070)	(277,322)
3,666,667 options issued on 13 January 2014	-	214,380
406,250 options issued on 17 January 2014	-	35,872
AT THE END OF THE FINANCIAL PERIOD	(27,070)	(27,070)
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the financial period	2,862,775	2,245,831
Permanent exchange difference on functional currency conversion	-	616,944
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 foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

On 17 January 2014, the Company issued free unlisted options. These options were valued using the Black Scholes model and based on the following variables:

Number of options	406,250	3,666,667
Exercise price:	A$0.26	A$0.26
Valuation date:	17 January 2014	17 January 2014
Expiry date:	16 January 2017	7 October 2015
Market price of shares at grant date:	A$0.20	A$0.20
Expected share price volatility:	82%	82%
Risk free interest rate:	3.25%	3.25%
Valuation per option:	8.83 cents	5.85 cents

The fair value of the 2017 series options was charged to share issue costs and the 2015 series charged to interest expense.

NOTE 17. PARENT ENTITY

FINANCIAL INFORMATION ON THE PARENT ENTITY AS AT THE END OF THE FINANCIAL PERIOD:

	Company 2015 $	Company 2014 $
CURRENT ASSETS		
Cash and cash equivalents	1,951,089	5,424,135
Trade and other receivables	154,422	28,434
TOTAL CURRENT ASSETS	**2,105,511**	**5,452,569**
NON-CURRENT ASSETS		
Plant and equipment	11,341	11,494
Investments in subsidiaries	2,752,914	2,752,913
Loans to subsidiaries	9,393	4,982,444
Capitalised exploration and evaluation expenditure	86,690	-
TOTAL NON-CURRENT ASSETS	**2,860,338**	**7,746,851**
TOTAL ASSETS	**4,965,849**	**13,199,420**
CURRENT LIABILITIES		
Trade and other payables	154,631	301,632
Amounts owing to subsidiaries	6,180,706	6,621,327
TOTAL CURRENT LIABILITIES	**6,335,337**	**6,922,959**
TOTAL LIABILITIES	**6,335,337**	**6,922,959**
NET LIABILITIES/ ASSETS	**(1,369,488)**	**6,276,461**
EQUITY		
Issued capital	47,421,356	47,238,387
Option premium reserve	2,681,190	2,681,190
Accumulated losses	(51,472,034)	(43,643,117)
TOTAL EQUITY	**(1,369,488)**	**6,276,460**

FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL PERIOD:

	Company 2015 $	Company 2014 $
Loss after related income tax expense	(7,828,918)	(2,451,095)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	**(7,828,918)**	**(2,451,095)**

There are no contingent liabilities of the Parent Entity as at the reporting date.

NOTE 18. CASH FLOW INFORMATION

	Consolidated Entity 2015 $	Consolidated Entity 2014 $
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
Profit/(loss) after tax	(835,964)	(2,022,985)
Non-cash flow items in loss		
Depreciation of plant and equipment	6,731	3,968
Foreign exchange	-	237,365
Depreciation, Depletion & Amortisation of development expenditure	673,665	476,905
Share of losses of associates	-	154,152
Share/option based payments	182,969	214,247
Interest payable added to loan balance	-	19,033
Changes in assets and liabilities		
Decrease/(increase) in trade debtors	(333,012)	404,003
Decrease/(increase) in other debtors and prepayments	(8,054)	691
Increase/(decrease) in other creditors and accruals	(133,288)	319,226
Increase/(decrease) in provision for deferred income tax	(784,980)	92,288
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**(1,231,933)**	**(101,106)**
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial period is shown in the accounts as:		
Cash and cash equivalents	1,975,412	5,657,579
Share of joint operations cash	153,884	164,679
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**2,129,296**	**5,822,258**

NON-CASH FINANCING AND INVESTING ACTIVITIES

The following non-cash financing or investing activities occurred during the period:

- 214,096 shares at A$0.20 were issued to consultants in lieu of cash payments.
- 795,769 shares at A$0.20 were issued to staff and consultants in lieu of cash payments.
- 158,135 shares at A$0.20 were issued to consultants in lieu of cash payments.

The following non-cash financing or investing activities occurred during the prior period:

- 7,500,000 shares at $0.20 and 3,125,000 free attaching options that exercise at $0.26 per option and expire on 10 July 2015 were issued to convert outstanding convertible notes.
- 11,625,046 shares at $0.20 were issued to acquire KRX Energy Pte Ltd.
- 4,987,514 shares at $0.20 were issued for the acquisition of AMI interests pursuant to the Tower AMI withdrawal agreement.
- 4,275,012 shares at $0.20 were issued for the acquisition of AMI interests pursuant to the Risco AMI withdrawal agreement
- 550,000 shares at $0.20 and 229,167 free attaching options that exercise at $0.26 per option and expire on 10 July 2015 were issued pursuant to the Pouvoir Fee Payment Agreement.
- 750,000 shares at $0.20 and 312,500 free attaching options that exercise at $0.26 per option and expire on 10 July 2015 were issued to convert unrelated party borrowings.
- 1,835,041 shares at $0.20 were issued upon cancellation of existing $0.03 options that expired 31 December 2013.

	Consolidated Entity	
	2015	2014
	$	$
NOTE 19. EXPENDITURE COMMITMENTS		
OPERATING LEASE COMMITMENTS		
Non-Cancellable capital expenditure commitments contracted for but not capitalised in the accounts:		
Payable		
not later than one year	-	5,779
later than 1 year but not later than 5 years	-	-
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	-	5,779

EXPLORATION COMMITMENTS

The Group has exploration commitments pursuant to its Production Sharing Contracts with the Government of Indonesia. At period end these totalled US$1,050,000 net to the company (2014: US$1,050,000). The Group has indirectly, through a joint venture partner, provided a security bond of US$131,250 in respect of this commitment.

	Consolidated Entity 2015 $	Consolidated Entity 2014 $
NOTE 20. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	46,991	36,894
Other services	-	8,660
	46,991	45,554

NOTE 21. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2015 $	2014 $
Short term employee benefits	719,178	491,042
Post-employment benefits	30,959	11,105
Share based payments	38,925	-
	789,062	502,147

NOTE 22. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

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

The Group's principal activities are oil and gas exploration, development and production. These activities are all located in the same geographical area being Indonesia. Given there is only one segment being in one geographical area the information presented in the financial report is the same information that is viewed by the Directors.

23. CONTROLLED ENTITIES

	Country of Incorporation	Principal Activity	Group Ownership Interest 2015 %	Group Ownership Interest 2014 %
Parent Entity				
Lion Energy Limited	Australia	Holding Company		
Entities controlled by Lion Energy Limited				
Lion International Investment Limited	Cayman Islands	Oil & gas exploration and production	100%	100%
Lion Energy Limited USA, Inc	USA	Holding Company	100%*	100%*
KRX Energy Pte Ltd	Singapore	Holding Company	100%	100%
Peutu Energy Pte Ltd	Singapore	Dormant	100%	-
Tamiang Energy Pte Ltd	Singapore	Dormant	100%	-
Bengkalis Energy Pte Ltd	Singapore	Dormant	100%	-
Balam Energy Pte Ltd	Singapore	Dormant	100%	-
Entities controlled by KRX Energy Pte Ltd				
KRX Energy (SBA) Pte Ltd	Singapore	Oil & gas exploration	100%	100%
Entities controlled by Lion Energy Limited USA, Inc				
Lion USA LLC	USA	Dormant	100%	100%

Note: Lion Energy Ltd is the beneficial owner and controls 100% of the outstanding shares of KRX Energy Pte Ltd. As at the date of this report Lion Energy Ltd was the registered owner of 30.77% of KRX's shares, with the remaining balance being held in trust for Lion pending the receipt of all Indonesian Government approvals for the change of ownership of KRX, at which time the shares will be legally transferred to Lion.

Lion Energy Limited USA, Inc and Lion USA LLC are registered in Delaware in the United States of America. Lion International Investment Limited is registered in the Cayman Islands. KRX Energy Pte Ltd and KRX Energy (SBA) Pte Ltd are both incorporated in the Republic of Singapore.

The functional currency of all group is United States Dollars (US$).

NOTE 24. JOINT ARRANGEMENTS

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

Name of the Joint Operation	Principal Place of Business	Principal Activity	Proportion of Ownership Interests Held by the Group	
			31 December 2015	30 June 14
Seram (Non-Bula) Joint Operation	Indonesia	Exploration and development	2.5%	2.5%
South Block A Joint Operation	Indonesia	Exploration and development	35%	35%

NOTE 25. CONTINGENT LIABILITIES

As at 31 December 2015 the Group had the following contingent liability:

To meet the requirements of the two joint studies, Lion has established bank guarantees with the Indonesian Government for a total of US$1,550,000, net to Lion's interest. These studies have been completed post period end.

NOTE 26. SUPERANNUATION COMMITMENTS

The Company makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Company to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

NOTE 27. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries, 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 consolidated 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.

Financial Instruments	Terms and Conditions and Interest Rate Risk
Bank Deposits	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk.
Receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Equity	Details of equity securities issued and outstanding are disclosed separately in these financial statements. These are non interest bearing and there is no exposure to interest rate risk.

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 measurement 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 balance sheet denominated in a foreign currency:

	Amounts in AUD 2015 $
Financial Assets	
Cash assets	99,805
Receivables	58,679
Financial Liabilities	
Payables	138,288

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 2015. 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 2015 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.

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 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 instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Consolidated Entity	
	2015	**2014**
	$	**$**
Trade and other receivables are expected to be received as follows:		
Less than 6 months	674,939	269,238
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	674,939	269,238
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	789,596	916,627
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	789,596	916,627

Fair Values

The aggregate fair values of the Consolidated Entity's financial assets and financial liabilities, both recognised and unrecognised are as follows:

	Carrying amount in the financial statements 2015 $	Aggregate fair value 2015 $	Carrying amount in the financial statements 2014 $	Aggregate fair value 2014 $
Financial Assets				
Cash assets	2,129,296	2,129,296	5,822,258	5,822,258
Receivables	674,939	674,939	269,238	269,238
Financial Liabilities				
Payables	789,596	789,596	916,627	916,627

The following methods and assumptions are used to determine the fair value of financial assets and liabilities:

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 financial instruments at 31 December 2015.

Listed investments have been valued at the quoted market bid price at reporting date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

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 2015, 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:

	Consolidated Entity 2015 $	Consolidated Entity 2014 $
Change in profit due to:		
Increase in interest rate by 2%	79,516	60,877
Decrease in interest rate by 2%	(79,516)	(60,877)
Change in equity due to:		
Increase in interest rate by 2%	79,516	60,877
Decrease in interest rate by 2%	(79,516)	(60,877)

Foreign Currency Risk Sensitivity Analysis

At 31 December 2015, 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	
	2015	2014
	$	$
CHANGE IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	55,069	82,874
Decline in AUD to USD by 5%	(55,069)	(82,874)
CHANGE IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	55,069	82,874
Decline in AUD to USD by 5%	(55,069)	(82,874)

NOTE 28. RELATED PARTY TRANSACTIONS

Outside of the transactions outlined in the KMP remuneration report, found in the directors report, the following related party transactions took place:

No transactions during the period end 31 December 2015.

Pouvoir Pty Ltd (Pouvoir) is the trustee for the Brimage Family Trust and provides consulting services to the company. Pouvoir is a related party of Mr Russell Brimage. The Company provided Pouvoir with 550,000 shares at $0.20 each and 229,167 free attaching options expiring on 10 July 2015 pursuant to the Pouvoir Fee Payment Agreement as part of the recapitalisation of Lion Energy on the 13 January 2014.

There was no other equity compensation issued to directors or executives during the year ended 30 June 2014.

NOTE 29. DIVIDENDS

No dividends have been paid or proposed during the period.

NOTE 30. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 January 2016, escrow on 15,625,049 fully paid ordinary shares in the Company and 406,250 unlisted options exercisable at $0.26 each expiring on 16 January 2017 ceased.

An updated reserves report commissioned by the operator of the Seram Project by US company, DeGoyler & McNaughton (D&M), was received after year end. The report is effective 31 December 2015, and is based on 2015 gross production of 1221 thousand barrels “mbbl” (3345 bopd). The report shows an increase in Proven reserves (2015: 4881mbbl compared to 2013: 4746mbbl), despite the production, primarily due to an increase in Proven reserves for the Oseil-2 area of the Oseil field over the 31 December 2014 report due to development drilling success, primarily based on success outcomes in development wells Oseil-26 and Oseil-27.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of Lion Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In general information, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Lion Energy Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the period ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 40 to 42 of the directors' report for the period ended 31 December 2015. 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.

Opinion

In our opinion, the Remuneration Report of Lion Energy Limited for the period ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

D A Hall
Partner
Perth
30 March 2016

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

As lead auditor for the audit of Lion Energy Limited for the financial year ended 31 December 2015, 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

D A Hall
Partner
Perth
30 March 2016

ADDITIONAL INFORMATION AS AT 24 MARCH 2016

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares	26 cent unlisted options expiring 16 January 2017 Escrowed until 17/1/2016
1 – 1,000	164	
1,001 – 5,000	72	
5,001 – 10,000	144	
10,001 – 100,000	96	
100,001 – and over	47	1
Total number of holders	523	1
Holdings of less than a marketable parcel	251	N/A

REGISTERED OFFICE OF THE COMPANY

Suite 7
295 Rokeby Road
Subiaco
Western Australia 6005

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Fax: +61 (8) 9221 1501

STOCK EXCHANGE LISTING

Quotation has been granted for 96,197,377 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.

All outstanding options are unlisted and are subject to trading restrictions.

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.

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Registered Holder	Number of Shares	Percentage of Total
RISCO ENERGY UNCONVENTIONAL PTE LTD	52,535,357	54.61%
TOWER ENERGY INDONESIA LIMITED	6,307,797	6.56%
POUVOIR PTY LTD <BRIMAGE SUPER FUND A/C>	4,421,529	4.60%
JUNGAR HOLDINGS PTY LTD <THE WHYTE SUPER FUND A/C>	3,937,515	4.09%
W & N MORRISON INVESTMENTS PTY LTD <THE MORRISON FAMILY A/C>	3,937,515	4.09%
KKSH HOLDINGS LTD	3,854,835	4.01%
EMMANUEL CAPITAL PTY LTD	2,730,263	2.84%
F & Y DAVIES SUPER PTY LTD <R & Y DAVIES SUPER FUND A/C>	2,516,776	2.62%
MR JOHN JANSEN + MRS DALE LORRAINE JANSEN <JJ RETIREMENT FUND A/C>	998,153	1.04%
MR KENNETH JOHN BULL	937,504	0.97%
CLAVERDON (VIC) PTY LTD <FAIRWAY UNIT A/C>	880,000	0.91%
MR RICHARD CHARLES GRIGG	600,695	0.62%
MR GERRY MASTERS <G & S MASTERS S/FUND A/C>	500,000	0.52%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	476,733	0.50%
MR KENNETH BULL	423,003	0.44%
SMALL BUSINESS FINANCE PTY LIMITED	397,645	0.41%
ZAPAC PTY LTD	396,441	0.41%
MR KYLE STUART PASSMORE	388,244	0.40%
DOLENTER IRA NOMINEES PTY LTD	371,770	0.39%
ELSTREE HOLDINGS PTY LTD <THE DALE INVESTMENT A/C>	350,000	0.36%
ALL OTHER SHAREHOLDERS	9,235,602	9.60%
Total	96,197,377	100.00%

HOLDERS OF GREATER THAN 20% OF UNQUOTED ORDINARY SHARES

	Number of Shares	Percentage of Total
Risco Energy Unconventional Pte Ltd	4,987,514	23.26%
Total	21,437,572	100%

TWENTY LARGEST HOLDERS OF 26 CENT UNLISTED OPTIONS EXPIRING 16 JANUARY 2017 ESCROWED UNTIL 17/1/2016

	Number of Options	Percentage of Total
Halcyon Corporate Pty Ltd	406,250	100%
Total	406,250	100%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
18/7/2014	Risco Energy Pte Ltd	52,535,357
17/7/2014	Tower Energy	6,307,797

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects. The Group believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 6 November 2013.

OIL & GAS TENEMENTS

Tenement or licence area	Lion's beneficial interest	Comments
Indonesia		
Seram (Non-Bula) Production Sharing Contract	2.5%	Interest held through Lion wholly owned subsidiary Lion International Investment Ltd.
South Block A Production Sharing Contract	35.0%	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX).

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.

The directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 3rd Edition" established by the ASX Corporate Governance Council.

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 to it.

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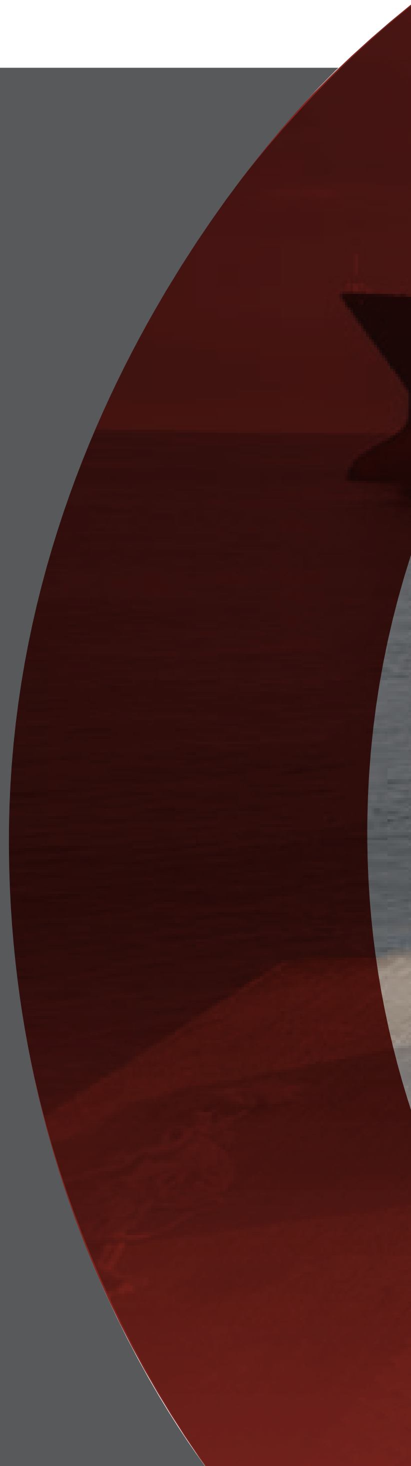

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