



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

**Consolidated Financial Report for the Half-Year  
to 31 December 2013**



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**LION ENERGY LIMITED  
CORPORATE DIRECTORY**

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**DIRECTORS:** Russell Brimage (Executive Chairman)  
William Morrison (Chief Executive)  
Thomas Soulsby  
Christopher Newton

**COMPANY SECRETARY:** Jack Hugh Toby FCA MACS

**REGISTERED OFFICE:** Ground Floor  
15 Rheola St  
West Perth WA 6005  
Australia

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

**AUDITORS:** **Grant Thornton Audit Pty Ltd**  
Level 1, 10 Kings Park Road  
West Perth WA 6005 AUSTRALIA

Tel: +61 (8) 9480 2000  
Fax: +61 (8) 9322 7787

**SHARE REGISTRY:** **Computershare Investor Services Pty Ltd**  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000

GPO Box D182  
Perth, Western Australia 6840

Tel: +61 1300 557 010  
Fax: +61 (8) 9323 2033

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## DIRECTORS' REPORT

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The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the half-year ended 31 December 2013. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

### DIRECTORS

The names of the directors of the Company who held office during or since the end of the half-year are:-

Russell Brimage	(Executive Chairman)
William Morrison	(Chief Executive – appointed 10 January 2014)
Thomas Soulsby	(appointed 10 January 2014)
Christopher Newton	(appointed 10 January 2014)
Weidong Zhang	(resigned 16 January 2014)
Simon Reeve	(resigned 16 January 2014)

### OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$1,607,415 (2012: \$1,051,586).

### SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Company occurred during the financial half-year:

On 6 November 2013, the Company issued a Prospectus pursuant to which, subject to certain conditions including shareholder approval, the Company:

- a) secured a \$1,500,000 convertible loan facility in favour of the Company from Risco Energy Unconventional Pte Ltd ("REU" or "Risco") (or its nominees) (Convertible Loan). The Convertible Loan is convertible into fully paid ordinary shares in the capital of the Company (Shares) at a deemed issue price of \$0.20 per Share and one unlisted option, exercisable at \$0.26 on or before the date that is 18 months after the date of issue (Class A Unlisted Option) for every 2.4 Shares issued upon conversion. Pursuant to a nomination deed between the Company, Risco and Tower Energy Indonesia Limited ("Tower"), Risco (through its wholly-owned subsidiary, REU) will receive 5,625,000 Shares and 2,343,750 Class A Unlisted Options upon conversion and Tower will receive the remaining 1,875,000 Shares and 781,250 Class A Unlisted Options;
- b) would consolidate its share capital on a 8 to 1 basis (Consolidation);
- c) would raise \$6,000,000 by a placement of 30,000,000 Shares (on a post-Consolidation basis) to Risco (through its wholly-owned subsidiary, REU);
- d) would raise a further \$1,500,000 by a placement of 7,500,000 Shares (on a post-Consolidation basis) to Tower;
- e) would raise a further \$2,000,000 by an offer to issue 10,000,000 Shares (on a post-Consolidation basis) to investors; and
- f) would acquire all of Risco's and Tower's rights under the AMI Agreement which includes rights to progress various unconventional oil and gas joint study applications onshore Indonesia in consideration for the issue of 4,987,514 Shares (on a post-Consolidation basis) to Risco (through its wholly-owned subsidiary, REU) and 4,275,012 Shares (on a post-Consolidation basis) to Tower.

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## DIRECTORS' REPORT

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Due to the size of the above transactions, the Company was required to re-comply with Chapters 1 and 2 of the ASX Listing Rules as required by the ASX.

As a consequence of the Proposed Transactions, Lion is moving (subject to various approvals detailed within this Prospectus) from its initial commitment to KRX in June 2012, to:

- g) acquisition of all of the outstanding shares in KRX;
- h) acquiring all of Risco's and Tower's rights under the AMI Agreement, including the rights to progress the Joint Study Applications; and
- i) securing binding funding commitments from Risco and Tower (under the Placements and the Convertible Loan Agreement).

On 12 December 2013, the Company was suspended from trading on the ASX pending recompliance with Chapters 1 and 2 of the ASX Listing Rules.

On 20 December 2013, the Company's share capital was consolidated on a 1 for 8 basis. The capital consolidation was approved at the General Meeting of shareholders held on 12 December 2013.

### EVENTS SUBSEQUENT TO BALANCE DATE

On 10 January 2014, the Company issued 69,028,361 ordinary shares, 3,666,667 options exercisable at \$0.26 each and expiring on 10 July 2015 ("Class A Options"), pursuant to various offers in the prospectus lodged on 6 November 2013 and certain transactions referred to in Lion's Notice of General Meeting dated 12 November 2013.

The issue of these securities comprises:

- a) 37,500,000 shares for \$0.20 each pursuant to the Risco Offer and Tower Offer.
- b) 7,500,000 shares and 3,125,000 free Class A Options issued for \$0.20 each pursuant to the conversion of a convertible loan.
- c) 11,625,046 shares issued at a deemed issue price of \$0.20 each as consideration for the acquisition of shares in KRX Energy Pte Ltd.
- d) 4,987,514 shares issued as consideration for the acquisition of AMI interests pursuant to the Risco AMI Withdrawal Agreement.
- e) 4,275,012 shares issued as consideration for the acquisition of AMI interests pursuant to the Tower Share Purchase Agreement.
- f) 1,300,000 shares issued for \$0.20 each and 541,667 free Class A Options issued pursuant to the Pouvoir Fee Payment Agreement, the KKSH Loan Repayment Deed and the Grigg Loan Repayment Deed.
- g) 1,835,041 shares issued pursuant to the Listed Options Offer as consideration for the cancellation of 88,120,763 pre-consolidation options on the basis of 48 pre-consolidation options for every one post-consolidation ordinary share issued.
- h) 5,748 shares issued for \$0.24 each pursuant to the exercise of options expiring on 31 December 2013.

Included in the above securities are 5,812,523 shares and 208,333 options which are restricted for 12 months from their date of issue and a further 15,625,049 shares and 3,458,334 options which are restricted for 24 months from the date of Lion's reinstatement to official quotation on the ASX.

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## DIRECTORS' REPORT

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On 16 January 2014, the Company completed all the offers pursuant to the prospectus lodged on 6 November 2013 by the issue of 10,000,000 fully paid ordinary shares at \$0.20 each, representing the public offer component, and 406,250 options exercisable at \$0.26 each and expiring on 16 January 2017 ("Class B Options"). The 406,250 options are restricted for 24 months from the date of Lion's reinstatement to official quotation on the ASX.

On 22 January 2014, the Company was reinstated to official quotation on the ASX following compliance with Chapters 1 and 2 of the ASX Listing Rules.

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 subsequent financial periods.

### AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Grant Thornton Audit Pty Ltd, have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2013. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "R Brimage".

Russell Brimage  
Director

13 March 2014  
Perth, Western Australia

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**DIRECTORS' DECLARATION**

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The directors of Lion Energy Limited A.C.N. 000 753 640 ("Company") declare that:

- a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;
  - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- b) In their 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Russell Brimage  
Director

13 March 2014  
Perth, Western Australia

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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	Note	2013 \$	2012 \$
Sales Revenue	2	1,586,268	1,403,040
Cost of sales		(633,453)	(614,783)
Amortisation of capitalised exploration costs		(507,118)	(1,536,581)
<b>GROSS PROFIT</b>		445,697	(748,324)
Other revenue	2	297	2,809
Other income	2	—	258,031
Share of losses of associates accounted for using the equity method	5	(167,949)	—
Other expenses	2	(1,885,460)	(564,102)
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		(1,607,415)	(1,051,586)
Income tax		—	—
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX</b>		(1,607,415)	(1,051,586)
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		(1,607,415)	(1,051,586)
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translating foreign operations		225,574	(122,180)
Income tax relating to components of other comprehensive income		—	—
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>		225,574	(122,180)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		(1,381,841)	(1,173,766)
<b>BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)</b>		(1.33)	(0.92)
<b>DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)</b>		(1.33)	(0.92)

The accompanying notes form part of this financial report

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

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	Note	31 December 2013 \$	30 June 2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		239,153	121,607
Trade and other receivables	3	857,840	588,096
Inventories		354,790	453,821
<b>TOTAL CURRENT ASSETS</b>		1,451,783	1,163,524
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		25,828	29,824
Receivables	4	1,140,838	829,700
Investments in associates	5	530,941	698,890
<b>TOTAL NON-CURRENT ASSETS</b>		1,697,607	1,558,414
<b>TOTAL ASSETS</b>		3,149,390	2,721,938
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,553,555	706,432
Borrowings	6	1,922,026	1,052,433
<b>TOTAL CURRENT LIABILITIES</b>		3,475,581	1,758,865
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		838,549	745,972
<b>TOTAL NON-CURRENT LIABILITIES</b>		838,549	745,972
<b>TOTAL LIABILITIES</b>		4,314,130	2,504,837
<b>NET ASSETS/(LIABILITIES)</b>		(1,164,740)	217,101
<b>EQUITY</b>			
Issued capital	7	49,985,068	49,985,068
Reserves	8	(254,387)	(479,961)
Accumulated losses		(50,895,421)	(49,288,006)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		(1,164,740)	217,101

The accompanying notes form part of this financial report






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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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	Note	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,283,080	862,179
Production expenditure		(551,876)	(499,285)
Payments to suppliers & employees		(637,966)	(497,824)
Interest received		297	2,809
		93,535	(132,121)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>			
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration and development expenditure		(507,118)	(672,775)
Purchase of investments		—	(580,000)
Loans to associates		(311,138)	—
Loans repaid by other entities		—	180,000
		(818,256)	(1,072,775)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>			
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from equity issues		—	47,434
Borrowings		849,940	—
		849,940	47,434
<b>NET CASH FROM FINANCING ACTIVITIES</b>			
 <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange differences		125,219	(1,157,462)
Cash and cash equivalents at beginning of period		(7,673)	(34,395)
		121,607	1,274,699
		239,153	82,842
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	9	239,153	82,842

The accompanying notes form part of this financial report

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

<b><u>Attributable to Members of Lion Energy Limited</u></b>	<b>Issued Capital \$</b>	<b>Option Premium Reserve \$</b>	<b>Currency Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<i>At 1 July 2012</i>	49,575,567	105,308	(1,119,713)	(46,527,693)	2,033,469
<i>Other comprehensive income</i>					
Currency translation differences	—	—	(122,180)	—	(122,180)
Net profit/(loss) for the period	—	—	—	(1,051,586)	(1,051,586)
<b>SUBTOTAL</b>	—	—	(122,180)	(1,051,586)	(1,173,766)
<i>Transactions with owners in their capacity as owners</i>					
Securities issued	47,434	—	—	—	47,434
<b>AT 31 DECEMBER 2012</b>	49,623,001	105,308	(1,241,893)	(47,579,279)	907,137

<b><u>Attributable to Members of Lion Energy Limited</u></b>	<b>Issued Capital \$</b>	<b>Option Premium Reserve \$</b>	<b>Currency Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<i>At 1 July 2013</i>	49,985,068	110,308	(590,269)	(49,288,006)	217,101
<i>Other comprehensive income</i>					
Currency translation differences	—	—	225,574	—	225,574
Net profit/(loss) for the period	—	—	—	(1,607,415)	(1,607,415)
<b>SUBTOTAL</b>	—	—	225,574	(1,607,415)	(1,381,841)
<b>AT 31 DECEMBER 2013</b>	49,985,068	110,308	(364,695)	(50,895,421)	(1,164,740)

The accompanying notes form part of this financial report

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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### NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Lion Energy Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

#### Statement of compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

#### Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2013, except as disclosed below.

#### Change in Accounting Policy

AASB 10 'Consolidated Financial Statements' was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 'Consolidated and Separate Financial Statements' and in Interpretation 112 'Consolidation - Special Purpose Entities'.

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and accordingly no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

The Group has adopted AASB 11 Joint Arrangements in its 31 December 2013 financial report. Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group has rights to the assets, and obligations for the liabilities and participates in, but does not have joint control of, the Seram (Non Bula) Production Sharing Contract. Consequently, it accounts for its interest on the basis of a joint operator using the proportionate consolidation method, whereby the Group combined its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. This does not represent a change in accounting policy.

#### Going Concern

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 Group incurred a net loss of \$1,607,415, received a net operating cash inflow of \$93,535 and expended a net investing cash outflow of \$818,256 during the financial half-year ended 31 December 2013.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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The Group was in a negative net current asset position at 31 December 2013. In January 2014, the Group raised \$9.5 million in additional capital and in addition, issued securities to repay debt of \$1,760,000 (note 12). The Directors are confident that the Group, pursuant to the capital raising disclosed above will continue as a going concern and will be able to meet existing commitments as they fall due.

	<b>Half-Year to 31 December 2013</b>	<b>Half-Year to 31 December 2012</b>
	\$	\$

**NOTE 2. REVENUE, INCOME 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	1,586,268	1,403,040
Interest received	297	2,809
	1,586,565	1,405,849

OTHER INCOME

Foreign exchange gains	—	78,031
Loans repaid by other entities	—	180,000
	—	258,031

CHARGING AS EXPENSES

Indonesian First Tranche Petroleum royalty	63,972	55,672
Foreign exchange loss	263,669	—
Interest expense	19,653	—
Legal fees	815,675	67,126
Remuneration	217,446	234,652
Other administration expenses	505,045	206,652
	1,885,460	564,102

	<b>Half-Year to 31 December 2013</b>	<b>Year to 30 June 2013</b>
	\$	\$

**NOTE 3. TRADE AND OTHER RECEIVABLES (CURRENT)**

Trade debtors	690,792	387,604
Other debtors and prepayments	167,048	200,492
	857,840	588,096

**NOTE 4. TRADE AND OTHER RECEIVABLES (NON CURRENT)**

Loan to associated company, KRX Energy Pte Ltd	1,140,838	829,700
	1,140,838	829,700

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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	<b>Half-Year to 31 December 2013</b>	<b>Year to 30 June 2013</b>
	<b>\$</b>	<b>\$</b>

The loan to KRX Energy Pte Ltd is non-interest bearing and repayable on demand. The directors have treated the loan as non current as it is not envisaged that the loan will be recalled within the next 12 months.

**NOTE 5. INVESTMENTS IN ASSOCIATES**

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

	<b>Consolidated Entity Percentage Interests</b>	
	<b>Half-Year to 31 December 2013</b>	<b>Year to 30 June 2013</b>
	<b>%</b>	<b>%</b>
KRX Energy Pte Ltd (incorporated in Singapore)	30.77%	30.77%

	<b>Half-Year to 31 December 2013</b>	<b>Year to 30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Investment in associate KRX Energy Pte Ltd	1,000,000	1,000,000
Share of losses of associates accounted for using the equity method	(469,059)	(301,110)
	530,941	698,890
	530,941	698,890

**MOVEMENTS IN THE CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES**

At the beginning of the financial year	698,890
Share of losses of associates accounted for using the equity method	(167,949)

**AT THE END OF THE FINANCIAL YEAR**

530,941

**NOTE 6. BORROWINGS**

Borrowings from unrelated parties	422,026	—
Borrowings from Risco Energy Investments Pte Ltd	1,500,000	—
	1,922,026	—
	1,922,026	—

**BORROWINGS FROM UNRELATED PARTIES**

Borrowings from unrelated parties include \$150,000 at 7% interest per year. Loan agreements for these loans also required the issue of 5,000,000 free options exercisable at 3 cents each on or before 31 December 2013. These options were issued on 26 March 2013. Also included is a loan of \$250,000 at 7% interest per year. Repayment of the \$250,000 loan has been guaranteed by Mr Russell Brimage, a director of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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**BORROWINGS FROM RISCO ENERGY INVESTMENTS PTE LTD**

On 17 June 2013, the Company announced that it had entered into a binding transaction coordination agreement and convertible loan agreement (“Transaction Agreements”) with KRX Energy Pte Ltd (together with its affiliates, as appropriate, “KRX”) and Risco Energy Investments Pte Ltd (together with its affiliates, as appropriate, “Risco”), pursuant to which the Company had secured a \$1.5 million convertible loan facility in favour of the Company from Risco (or its nominees) “Convertible Loan”); will raise \$2,500,000 by the placement of 100,000,000 fully paid ordinary shares (“Shares”) in the capital of the Company to Risco (or its nominees) (“Proposed Risco Placement”); will seek shareholder approval to issue up to 80,000,000 new shares to professional and sophisticated investors (“Proposed Investor Placement”); and will acquire all of Risco’s rights to a 35% interest in an area of mutual interest agreement (“AMI Agreement”) which includes various unconventional oil and gas joint study applications onshore Indonesia (“Risco AMI Interest”) in consideration for the issue of 39,900,108 Shares (“Proposed Asset Acquisition”). The key terms of the convertible loan agreement are:

- a) Drawdown date: The loan of up to \$1.5 million (“Loan”) will be available for drawdown in multiple tranches, at the written request of the Company, subject to satisfaction of certain conditions. At 31 December 2013, the loan had been fully drawn down.
- b) Purpose: The purpose of the Loan is to provide sufficient funding to enable KRX to meet cash call obligations under the production sharing contract and joint operating agreement in respect of the South Block A operations and to fund general and administrative expenses. It is intended that such funds will be provided by the Company to KRX by way of a shareholder loan (“Shareholder Loan”).
- c) Security: The Loan will be secured by:
  - i. the grant of a first ranking security interest over all of the shares in KRX Energy (SBA) Pte Ltd, a wholly owned subsidiary of KRX, which subsidiary holds a 35% interest in the South Block A Project;
  - ii. the assignment of the Shareholder Loan between the Company and KRX; and
  - iii. subject to the ASX Listing Rules, either:
    - A. the grant of a first ranking security interest over all of the shares in Lion International Investments Limited, a wholly owned subsidiary of the Company, which subsidiary holds a 2.5% interest in the Seram Project; or
    - B. the grant of a first ranking security interest over all of the KRX Shares held by the Company.
- d) Conversion: Subject to the Company obtaining all necessary Shareholder approvals, the Loan will be converted into Shares at a conversion price of 2.5 cents per Share plus one free attaching unlisted option to subscribe for a Share (“Unlisted Option”), exercisable at 3.25 cents per Unlisted Option on or before the date that is 18 months from the date of issue, for every 2.4 Shares issued on conversion on the date that is 7 days after shareholder approval is obtained.
- e) Repayment: in certain circumstances (including in the event that shareholder approval is not obtained as contemplated above) the Loan must be repaid in cash, together with payment of a repayment premium of \$150,000 (being 10% of the Loan) plus costs.

Subsequent to the end of the financial half-year, the Company issued 7,500,000 shares and 3,125,000 free Class A Options issued for \$0.20 each pursuant to the conversion of the \$1.5 million convertible loan.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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	<b>Half-Year to 31 December 2013 \$</b>	<b>Year to 30 June 2013 \$</b>
<b>NOTE 7. ISSUED CAPITAL</b>		
ORDINARY SHARES		
16,001,016 (30 June 2013: 128,004,729) fully paid ordinary shares	49,985,068	49,985,068
	49,985,068	49,985,068

On 20 December 2013, the Company's share capital was consolidated on a 1 for 8 basis. The capital consolidation was approved at the General Meeting of shareholders held on 12 December 2013.

**NOTE 8. RESERVES**

Option premium reserve	110,308	110,308
Currency translation reserve	(364,695)	(590,269)
	(254,387)	(479,961)

**MOVEMENTS IN CURRENCY TRANSLATION RESERVE**

At the beginning of the period	(590,269)
Consolidation adjustment for the half-year	225,574
<b>AT THE END OF THE FINANCIAL PERIOD</b>	<b>(364,695)</b>

**NOTE 9. RECONCILIATION OF CASH AND CASH EQUIVALENTS**

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprises A\$69,708 denominated in AUD\$ and held in an Australian bank, A\$167,850 denominated in US\$ and held in an Australian bank and A\$1,595 denominated in US\$ and held in a US bank.

**NOTE 10. 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 and investment in the resources industry. These activities are managed on a Group structure basis. Operating segments are therefore determined on the same basis. Lion International Investment Limited ("LII") is a separate segment as it is the vehicle through which the Group participates in energy activities in Asia. The revenue of LII is predominantly derived from oil and gas activities.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

**BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS**

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment assets are clearly identifiable on the basis of their nature and physical location.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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Liabilities are allocated to segments where there is a direct nexus between the incurrance of the liability and the operations of the segment. Segment liabilities include trade and other payable and certain direct borrowings.

Items of revenue, expense, assets and liabilities are not allocated to operating segments if they are not considered part of the core operations of any segment.

	HALF-YEAR TO 31 DECEMBER 2013			HALF-YEAR TO 31 DECEMBER 2012		
	South East Asia \$	Other Regions \$	Total \$	South East Asia \$	Other Regions \$	Total \$
<b>SEGMENT PERFORMANCE</b>						
External revenue	1,586,268	297	1,586,565	1,403,040	182,809	1,585,849
Other external income	—	—	—	78,031	—	78,031
<b>TOTAL SEGMENT REVENUE</b>	<b>1,586,268</b>	<b>297</b>	<b>1,586,565</b>	<b>1,481,071</b>	<b>182,809</b>	<b>1,663,880</b>
Segment net profit/(loss) before tax	<u>373,291</u>	<u>(1,980,706)</u>		<u>(817,021)</u>	<u>(234,565)</u>	
<b>NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>			<u>(1,607,415)</u>			<u>(1,051,586)</u>

	31 DECEMBER 2013			30 JUNE 2013		
	South East Asia \$	Other Regions \$	Total \$	South East Asia \$	Other Regions \$	Total \$
<b>SEGMENT ASSETS</b>						
Segment assets	<u>1,725,654</u>	<u>1,423,736</u>		<u>1,726,654</u>	<u>995,284</u>	
<b>TOTAL ASSETS FROM CONTINUING OPERATIONS</b>			<u>3,149,390</u>			<u>2,721,938</u>

**NOTE 11. CONTINGENT LIABILITIES**

The Company has entered into a \$1.5 million convertible note facility. In certain circumstances the Loan must be repaid in cash, together with payment of a repayment premium of \$150,000 (being 10% of the Loan) plus costs. Subsequent to the end of the financial half-year, 7,500,000 shares and 3,125,000 free Class A Options issued for \$0.20 each pursuant to the conversion of the convertible loan.

There has been no other significant change in contingent liabilities since the last annual reporting date.

**NOTE 12. EVENTS SUBSEQUENT TO BALANCE DATE**

On 10 January 2014, the Company issued 69,028,361 ordinary shares, 3,666,667 options exercisable at \$0.26 each and expiring on 10 July 2015 ("Class A Options"), pursuant to various offers in the prospectus lodged on 6 November 2013 and certain transactions referred to in Lion's Notice of General Meeting dated 12 November 2013.

The issue of these securities comprises:

- a) 37,500,000 shares for \$0.20 each pursuant to the Risco Offer and Tower Offer.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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- b) 7,500,000 shares and 3,125,000 free Class A Options issued for \$0.20 each pursuant to the conversion of a convertible loan.
- c) 11,625,046 shares issued at a deemed issue price of \$0.20 each as consideration for the acquisition of shares in KRX Energy Pte Ltd.
- d) 4,987,514 shares issued as consideration for the acquisition of AMI interests pursuant to the Risco AMI Withdrawal Agreement.
- e) 4,275,012 shares issued as consideration for the acquisition of AMI interests pursuant to the Tower Share Purchase Agreement.
- f) 1,300,000 shares issued for \$0.20 each and 541,667 free Class A Options issued pursuant to the Pouvoir Fee Payment Agreement, the KKSH Loan Repayment Deed and the Grigg Loan Repayment Deed.
- g) 1,835,041 shares issued pursuant to the Listed Options Offer as consideration for the cancellation of 88,120,763 pre-consolidation options on the basis of 48 pre-consolidation options for every one post-consolidation ordinary share issued.
- h) 5,748 shares issued for \$0.24 each pursuant to the exercise of options expiring on 31 December 2013.

Included in the above securities are 5,812,523 shares and 208,333 options which are restricted for 12 months from their date of issue and a further 15,625,049 shares and 3,458,334 options which are restricted for 24 months from the date of Lion's reinstatement to official quotation on the ASX.

On 16 January 2014, the Company completed all the offers pursuant to the prospectus lodged on 6 November 2013 by the issue of 10,000,000 fully paid ordinary shares at \$0.20 each, representing the public offer component, and 406,250 options exercisable at \$0.26 each and expiring on 16 January 2017 ("Class B Options"). The 406,250 options are restricted for 24 months from the date of Lion's reinstatement to official quotation on the ASX.

On 22 January 2014, the Company was reinstated to official quotation on the ASX following compliance with Chapters 1 and 2 of the ASX Listing Rules.

As at 31 December 2013, KRX Energy Pte Ltd ("KRX") remained an associate due to the Group's ownership of 30.77% at that point in time. As detailed above, subsequent to period end the Group has acquired the remaining shares so that in future reporting periods KRX will be accounted for as a fully owned subsidiary of the Group and consolidated into the Group's results. Extensive information is contained within the Replacement Prospectus dated 6 November 2013, which sets out the acquisition of KRX and other related transaction, as well as an Independent Accountants Report which includes pro-forma financial information. Until such time that the accounting for the acquisition of KRX is finalised, it is impractical to provide any further financial information.

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 subsequent financial periods.

**Independent Auditor's Review Report  
To the Members of Lion Energy Limited**

We have reviewed the accompanying half-year financial report of Lion Energy Limited (“the Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

**Directors’ responsibility for the half-year financial report**

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

**Auditor’s responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Lion Energy Limited consolidated entity’s financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Lion Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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## Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lion Energy Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



JW Vibert  
Partner – Audit and Assurance

Perth, 13 March 2014.

Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

**T** +61 8 9480 2000  
**F** +61 8 9322 7787  
**E** info.wa@au.gt.com  
**W** www.grantthornton.com.au

### **Auditor's Independence Declaration To the Directors of Lion Energy Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Lion Energy Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



JW Vibert  
Partner – Audit & Assurance

Perth, 13 March 2014.

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