LION ENERGY LIMITED

ABN 51 000 753 640

Annual Financial Report 2013

CORPORATE DIRECTORY

DIRECTORS:	Russell Brimage (Chairman) Simon Reeve Weidong Zhang
COMPANY SECRETARY:	Jack Hugh Toby FCA AACS
ABN:	51 000 753 640
REGISTERED OFFICE:	Ground Floor, 15 Rheola St West Perth, Western Australia 6005 Tel: +61 (8) 9213 4300 Fax: +61 (8) 9213 4311
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

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

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 year ended 30th June 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 in office at any time during or since the financial year 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
Weidong Zhang
Simon Reeve

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were oil and gas exploration, development and production and investment in the resources industry.

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

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $2,760,313 (2012: $2,606,910).

DIVIDENDS

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

The directors have recommended that no dividend be paid by the Company in respect of the year ended 30th June 2013.

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 year:

On 2 July 2012, the Company announced that KRX Energy Pte. Ltd. ("KRX") had executed an Area of Mutual Interest Agreement (AMI Agreement) with two prominent Indonesian groups to jointly evaluate the onshore areas of Java, Kalimantan and Sumatra for the purposes of forming a consortium to ultimately acquire prospective acreage. KRX had a 35% Participating Interest in the AMI Agreement which participating interest will apply to any application except that it may be adjusted by mutual agreement between the parties. On 2 July 2012, the Company had a 15.73% interest in KRX shares through its first instalment investment of AUD$420,000.

On 16 August 2012, the Company announced that the LOFIN-1 exploration well on Seram Island in eastern Indonesia had been successfully sidetracked and the LOFIN-1 ST wellbore has reached a depth of 4,168 meters (13,676 feet) measured depth (from rig rotary table). The Company also announced that it had has recovered US$180,000 owed to the Company via a Loan Agreement entered into between an Indonesian company and Lion Energy Limited in May 2005 by the previous Lion board and management. The amount loaned pursuant to this agreement was US$299,028 which had been completely written off in Lion's accounts some years ago.

On 21 September 2012, the Company announced that The LOFIN-1 exploration well on Seram Island in eastern Indonesia had reached a depth of 4,383 meters (14,382 feet) MD with trace oil shows encountered in the drilling mud across a cumulative interval of 117 feet of the 379 feet of open hole Manusela Formation.

On 10 October 2012, the Company announced that The LOFIN-1 Side Track exploration well on Seram Island in eastern Indonesia had reached a depth of 4,383 meters (14,382 feet) MD with 379 feet of open-hole Manusela Formation below the 5 inch casing shoe. Test results averaged over the final 5 hours of the flow test through a test separator: 6.903 MMscfD Stabilized gas rate; Flowing Wellhead Pressure 5,800 psi on 16/64 inch choke; 0.875 Gas Specific Gravity; and 17.95 Barrels of 37.9 API condensate per MMscf gas. The test rate was severely restricted due to the pressure rating of the lines downstream of the choke manifold limited to 700 psi.

On 26 October 2012, the Company had announced that it had completed the final instalment of A$580,000 of the initial firm funding of A$1 million by way of subscriptions for shares in KRX at $0.05 per share and by this subscription LION has moved to a 30.77% shareholder position in KRX.

On 31 October 2012, the Company announced that with regard to KRX's interest in the Farm-in Agreement for the SOUTH BLOCK "A" Production Sharing Contract in Indonesia, the Operator has received written notification from the Indonesian Ministry of Energy and Mineral Resources formally approving the transfer to KRX's wholly owned subsidiary, KRX Energy (SBA) Pte. Ltd.

On 14 November 2012, the Company announced that the LOFIN-1 Side Track exploration well on Seram Island in eastern Indonesia has reached a depth of 4,383 meters (14,382 feet) MD with 379 feet of open-hole Manusela Formation below the 5 inch casing shoe. A four rate flow test resulted in a final flow rate through a test separator of: 15.7 MMscfD Gas rate with 171 BPD of 36.1 API oil/condensate; 4,750 psi Flowing Wellhead Pressure on 24/64 inch choke; 1.45 Gas Specific Gravity. Flowing pressures and rates were still increasing indicating the well was still cleaning up and had not reached maximum potential. Following the four rate test, a small acid squeeze was performed to clean the formation.

On 18 December 2012, the Company issued 1,572,520 fully paid ordinary shares for US$50,000 in total. Payment of the issue price was offset against a mobilisation fee due by the Company for a capital raising program. The issue of these securities was approved by the Annual General Meeting of shareholders held on 22 November 2012.

On 7 January 2013, the Company announced that The LOFIN-1 exploration well within the Seram (Non Bula) PSC has been successfully suspended with the setting of four cement plugs to isolate the productive Manusela Formation, whilst evaluation work continues. Sproule International Limited, an established and respected petroleum consulting firm has been commissioned to produce a reserve evaluation and the report is expected to be completed during February 2013. The LOFIN-1 exploration well was successfully sidetracked and the LOFIN-1 ST wellbore reached Total Depth of 4,427 metres (14,525 feet) MD , with 522 feet of open-hole Manusela Formation below the 5 inch casing shoe. Electric logs were run over the entire open hole Manusela Formation.

On 22 January 2013, that Company announced that it had entered into a non-binding terms sheet with KRX and each of the other shareholders of KRX ("KRX Shareholders") to acquire all of the issued capital in KRX ("KRX Shares"), other than those shares already owned by the Company ("Terms Sheet"). LION currently had a 30.77% interest in the shares of KRX as a result of its $1 million funding commitment in KRX by way of subscriptions for KRX Shares. Under the Terms Sheet, LION would acquire all remaining KRX Shares in consideration for the issue of 75,000,300 fully paid ordinary shares ("Shares") in the capital of LION. Completion of the Proposed Transaction was subject to and conditional upon a number of conditions precedent, including: completion by LION of certain due diligence investigations to its satisfaction; completion by LION of the Placement; LION obtaining all necessary shareholder approvals required under the ASX Listing Rules and the Corporations Act 2001 (Cth) ("Corporations Act") in respect of the Proposed Transaction, including ASX Listing Rules 7.1, 10.1 and 11.1.2. The Company advised of its intention to provide a Notice of Meeting and accompanying Independent Expert's Report to Shareholders; cancellation of all options to subscribe for shares in the capital of KRX; and execution of a formal share purchase agreement to give effect to the transactions contemplated in the Terms Sheet. If the above conditions precedent (other than the final condition precedent stated above which must be satisfied by 14 February 2013, unless otherwise agreed) are not satisfied or waived by 28 March 2013 (unless otherwise agreed), either LION or the KRX Shareholders may terminate the Terms Sheet.

On 21 February 2013, the Company issued 3,000,000 fully paid ordinary shares for $0.03 per share. The issue of these securities was approved by the Annual General Meeting of shareholders held on 22 November 2012.

On 28 February 2013, the Company issued 5,666,667 fully paid ordinary shares for $0.03 per share pursuant to the exercise of 5,666,667 options expiring on 31 December 2013.

On 21 March 2013, the Company issued 2,666,667 fully paid ordinary shares for $0.03 per share.

On 26 March 2013, the Company issued 5,000,000 free options exercisable at 3 cents each on or before 31 December 2013. These options were issued as part consideration for loan agreement.

On 11 April 2013, the Company issued 1,075,566 fully paid ordinary shares for $0.03 per share pursuant to the exercise of 1,075,566 options expiring on 31 December 2013.

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"). In addition, the Transaction Agreements contemplate a proposed acquisition by the Company, subject to certain conditions including the Company obtaining all necessary shareholder approvals and entry into a binding acquisition agreement, of all the issued capital in KRX ("KRX Shares") other than those shares already owned by the Company, in consideration for the issue of 93,000,360 Shares to the shareholders of KRX (other than the Company) ("KRX Shareholders") in proportion to their respective interests in KRX ("Proposed KRX Acquisition"). The Company is currently a 30.77% shareholder of KRX as a result of its previous $1 million investment in KRX.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 19 July 2013, the Company announced that in addition to the Transaction Agreements announced on 17 June 2013, the Transaction Agreements further contemplate; the conversion of outstanding shareholder loans and consultancy fees amounting to $260,000 into 10,400,000 Shares and 4,333,333 Unlisted Options (on a pre-Consolidation basis) ("Proposed Fee and Loan Repayment"); an offer to buyback and, if accepted, cancel all listed options to subscribe for Shares ("Listed Options") on issue in consideration for the issue and allotment of Shares on a basis of 1 Share for every 6 Listed Options ("Listed Option Offer"); and an exclusive right for Risco (or its nominee) to negotiate the acquisition of Lion's interest in the Seram Non-Bula PSC for a period of 6 months expiring on 14 December 2013. Furthermore, the ASX had advised the Company that it will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in connection with the proposed transactions. This involves meeting ASX listing requirements as if the Company were undergoing a new initial public offer. Completion of the proposed transactions will be conditional on ASX providing the Company, in a form suitable to the Company, with a list of conditions (including satisfaction of Chapters 1 and 2 of the Listing Rules and such other conditions being reasonably acceptable to the Company) which, when satisfied, will result in ASX reinstating Shares to quotation on ASX. The Company will be looking to implement, subject to shareholder approval: a share capital consolidation on a 1 for 10 basis ("Consolidation"); an equity raising, under which LIO will issue Shares to raise up to $2 million (before costs and expenses) at an issue price of no less than A$0.25 per Share (on a post Consolidated basis) ("Equity Raising"); the Shares to be issued under each of the proposed transactions will be adjusted in accordance with the Consolidation and will be subject to any ASX-imposed escrow; and the Equity Raising will occur in place of the Proposed Investor Placement.

No other matters or circumstances have arisen since the end of the financial year 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 directors intend to actively pursue the Transaction Agreements disclosed in the Company's announcement on 19 July 2013 and pursue the exploration and development of the oil and gas leases in which it has an interest.

ENVIRONMENTAL ISSUES

The Company's operations have not been subject to any environmental regulation.

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 Entek Energy Limited, 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 Year:

Director of Entek Energy Limited from 10-Aug-2005 to 25-Nov-2010.

Special Responsibilities:

Executive Chairman and Chief Executive Officer.

Interest in shares and options of the Company:

28,221,067 Ordinary Shares and 16,833,333 options expiring 31 December 2013 exercisable at 3 cents each in Lion Energy Limited.

Directors meetings attended: 15.

WEIDONG ZHANG
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Mr Zhang obtained his Ph.D degree in Chemical Engineering from University of Auckland in 1992 and had since worked for Rio Tinto's Comalco Limited for 5 years involved in process development and later in its aluminium smelting operation. Mr Zhang has had considerable commercial experience since joining Sino Mining International Limited in Sydney in 1997 working in the corporate finance area and later business development in international resources industry. Weidong assumed general management of its alumina subsidiary, Sino Mining Alumina Limited, since 2001. Weidong has been the Managing Director of Gulf Alumina Limited since 2008.

Mr Zhang is also a director of other two Australian resources-related companies.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

None.

Interest in shares and options of the Company: Nil.

Directors meetings attended: 14.

SIMON REEVE
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Mr Reeve is an experienced US Fortune 500 Oil & Gas Services executive with 28 years at Board level, including company leadership with P&L responsibility up to US$550m. He has significant C-level experience in the fields of energy, engineering and high technology. Mr Reeve also has ten years city finance experience including consulting director roles at Dresdner Kleinwort Benson and Director of Ventures at CitiGroup-led Antfactory, London. He has demonstrated leadership of successful funding, initial public offering, turnaround and trade sale initiatives. Mr Reeve is a graduate geologist and qualified petroleum engineer with E&P field experience gained in Texas, Malaysia, Brunei, Indonesia, Australia and New Zealand. He specialises in optimising production from existing fields, consulting to the likes of Shell, Chevron-Texaco, Exxon-Mobil and the national oil companies of Indonesia and China. Mr Reeve is currently active in the origination and funding of major energy projects in south-eastern Europe, Caucasus and Asia, maintaining key relationships with significant energy-related EPCs and financial institutions world-wide.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

None.

Interest in shares and options of the Company: Nil

Directors meetings attended: 14.

JACK TOBY
COMPANY SECRETARY

Qualifications

Mr Toby is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate member of the Australian Computer Society.

Experience

Mr Toby has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations over the last 29 years.

DIRECTORS MEETINGS

During the year ended 30th June 2013, 15 meetings of directors were held.

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 year 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 year are:

Remuneration for Mr Russell Brimage has been set at $200,000 per year.

Remuneration for Mr Weidong Zhang has been set at $52,000 per year.

Remuneration for Mr Simon Reeve has been set at $60,000 per year.

DIRECTORS

Russell Brimage	Executive Chairman
Weidong Zhang	Non-Executive Director
Simon Reeve	Non-Executive Director

OTHER KEY MANAGEMENT PERSONNEL

Jack Toby	Company Secretary and Chief Financial Officer
Scott Wentz	Director of Lion Energy Limited USA, Inc.

	Primary Compensation 2013		
	Short Term Benefits $	Super-annuation $	Total $
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Russell Brimage	200,000	—	200,000
Weidong Zhang	52,000	—	52,000
Simon Reeve	58,000	—	58,000
TOTAL PRIMARY COMPENSATION FOR SPECIFIED DIRECTORS	310,000	—	310,000
COMPENSATION OF OTHER KEY MANAGEMENT PERSONNEL BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Jack Toby	120,000	—	120,000
TOTAL PRIMARY COMPENSATION FOR OTHER KEY MANAGEMENT PERSONNEL	120,000	—	120,000

The Company did not provide any equity compensation to directors or executives during the year ended 30 June 2013.

	Primary Compensation 2012		
	Short Term Benefits $	Super-annuation $	Total $
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Russell Brimage	163,000	—	163,000
Weidong Zhang	52,000	—	52,000
Simon Reeve	15,000	—	15,000
Jian Wu	98,253	—	98,253
TOTAL PRIMARY COMPENSATION FOR SPECIFIED DIRECTORS	328,253	—	328,253

	Primary Compensation 2012		
	Short Term Benefits $	Super-annuation $	Total $
COMPENSATION OF OTHER KEY MANAGEMENT PERSONNEL BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Jack Toby	120,000	—	120,000
TOTAL PRIMARY COMPENSATION FOR OTHER KEY MANAGEMENT PERSONNEL	120,000	—	120,000

The Company did not provide any equity compensation to directors or executives during the year ended 30 June 2012.

End of Audited Section

SHARE OPTIONS ISSUED

On 26 March 2013, the Company issued 5,000,000 free listed options exercisable at $0.03 on or before 31 December 2013 as part consideration for a loan agreement. of the underwriting fee. The options were valued on the date of issue at the last sale price of options traded on the ASX on the day of issue of $0.001 each.

No options were issued subsequent to the year ended 30th June 2013.

SHARE OPTIONS EXERCISED

During the year ended 30th June 2013, 6,742,233 ordinary shares were issued by virtue of the exercise of options exercisable at $0.03 on or before 31 December 2013.

Subsequent to the year ended 30th June 2013, no ordinary shares were issued by virtue of the exercise of options.

SHARE OPTIONS OUTSTANDING

There were 90,759,864 options to subscribe for unissued fully paid ordinary shares in the Company for 3 cents each and expiring on 31 December 2013 outstanding as at 30 June 2013.

No person entitled to exercise any options, had or has any right by virtue of any option to participate in any share issue of any other body corporate.

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of $11,300. Except as disclosed above, the Company has not, during or since the financial year, 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

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 year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2013. This declaration has been included in this document.

The following non-audit services were provided to the Company by the Company's auditors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Grant Thornton Australia Limited received or is due to receive $9,435 for the provision of tax compliance services.

Signed in accordance with a resolution of the directors.

Russell Brimage
Director
17 September 2013
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 30 June 2013 and of the performance for the year ended on that date of the Consolidated Entity;

   c) the remuneration report disclosures set out on pages 6 to 8 of the directors' report (as part of the Remuneration Report), for the year ended 30 June 2013, 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 year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

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

   c) the financial statements and notes for the financial year 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

17 September 2013
Perth, Western Australia

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013

	Note	Consolidated Entity 2013 $	Consolidated Entity 2012 $
Sales Revenue	3	2,164,888	2,014,232
Cost of sales		(1,020,523)	(792,107)
GROSS PROFIT		1,144,365	1,222,125
Other revenue	3	182,814	41,880
Share of losses of associates accounted for using the equity method	3	(301,110)	—
Administration expenses	3	(3,786,382)	(3,870,915)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(2,760,313)	(2,606,910)
Income tax expense	4	—	—
PROFIT/(LOSS) AFTER RELATED INCOME TAX EXPENSE		(2,760,313)	(2,606,910)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		529,444	351,597
Income tax relating to components of other comprehensive income		—	—
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		529,444	351,597
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(2,230,869)	(2,255,313)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	5	(2.32)	(2.43)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

	Note	Consolidated Entity 2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		121,607	1,274,699
Trade and other receivables	6	588,096	97,473
Inventories	7	453,821	403,936
TOTAL CURRENT ASSETS		1,163,524	1,776,108
NON-CURRENT ASSETS			
Plant and equipment	8	29,824	35,092
Receivables	9	829,700	—
Capitalised exploration and evaluation expenditure	10	—	882,708
Investments in associates	11	698,890	420,000
TOTAL NON-CURRENT ASSETS		1,558,414	1,337,800
TOTAL ASSETS		2,721,938	3,113,908
CURRENT LIABILITIES			
Trade and other payables	12	706,432	485,107
Borrowings	13	1,052,433	—
TOTAL CURRENT LIABILITIES		1,758,865	485,107
NON-CURRENT LIABILITIES			
Trade and other payables	14	745,972	595,332
TOTAL NON-CURRENT LIABILITIES		745,972	595,332
TOTAL LIABILITIES		2,504,837	1,080,439
NET ASSETS		217,101	2,033,469
EQUITY			
Issued capital	15	49,985,068	49,575,567
Reserves	16	(479,961)	(1,014,405)
Accumulated losses		(49,288,006)	(46,527,693)
TOTAL EQUITY		217,101	2,033,469

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2013

	Note	Consolidated Entity 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,777,284	2,857,861
Payments to suppliers & employees		(831,217)	(1,179,461)
Interest received		2,814	41,880
Settlement of Tulloch claim		—	(737,500)
Loan recovered previously provided for non-recovery		180,000	—
NET CASH FROM OPERATING ACTIVITIES	18	1,128,881	982,780
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(619,813)	(671,368)
Production and development expenditure		(1,705,266)	(1,060,421)
Purchase of plant and equipment		—	(3,623)
Purchase of investment in associated entity		(580,000)	(420,000)
Loans to associated entities		(829,700)	—
NET CASH USED IN INVESTING ACTIVITIES		(3,734,779)	(2,155,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		419,701	1,645,335
Capital raising expenses		(10,200)	(82,210)
Borrowings		1,049,700	—
Share Buy-back		—	(5,929,596)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		1,459,201	(4,366,471)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,146,697)	(5,539,103)
Net foreign exchange differences		(6,395)	216,877
Cash and cash equivalents at beginning of year		1,274,699	6,596,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	121,607	1,274,699

The accompanying notes form part of these financial statements

LION ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2013

CONSOLIDATED ENTITY

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Currency Translation Reserve $	Accumulated Losses $	Total Equity $
AT 1 JULY 2011	51,691,088	1,550,000	(1,471,310)	(43,920,783)	7,848,995
Currency translation differences	—	—	351,597	—	351,597
Profit/(Loss) for period	—	—	—	(2,606,910)	(2,606,910)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	—	—	351,597	(2,606,910)	(2,255,313)
Option premium for expired options transferred to Issued Capital	1,550,000	(1,550,000)	—	—	—
Securities issued	1,625,335	105,308	—	—	1,730,643
Share Buy-Back	(5,123,338)	—	—	—	(5,123,338)
Equity raising costs	(167,518)	—	—	—	(167,518)
AT 30 JUNE 2012	49,575,567	105,308	(1,119,713)	(46,527,693)	2,033,469
Currency translation differences	—	—	529,444	—	529,444
Profit/(Loss) for period	—	—	—	(2,760,313)	(2,760,313)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	—	—	529,444	(2,760,313)	(2,230,869)
Securities issued	419,701	5,000	—	—	424,701
Equity raising costs	(10,200)	—	—	—	(10,200)
AT 30 JUNE 2013	49,985,068	110,308	(590,269)	(49,288,006)	217,101

The accompanying notes form part of these financial statements

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") 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 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 Australian Dollars.

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

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were issued but not yet effective:

AASB 9 Financial Instruments, AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of interests in other entities.

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's 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.

Other Standards such as AASB 11 Joint Arrangements that have been issued but are not yet effective have not been early adopted but are considered to have no significant effect on the financial statements.

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) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent 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.

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 income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent 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. 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 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.

b) Foreign currency translation

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian 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 balance sheet date. All differences in the consolidated financial report are taken to the income statement 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 income statement. 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 currency of overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

c) Taxes

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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 balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

d) 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.

e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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.

f) Revenue recognition

Revenue from goods and services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

g) 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 Balance Sheet. 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.

h) 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.

i) 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.

j) 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.

k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – over 20 years
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.

l) 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.

m) 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.

n) Investments

Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

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.

Impairment of financial assets

Impairment of available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of oil stocks 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 income statement.

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.

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed below. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

q) Exploration 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 binomial 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 balance 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 Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. The Group's interests in joint venture entities are brought to account using the proportionate method of accounting in the consolidated financial statements.

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 of $2,760,313, received a net operating cash inflow of $1,128,881 and expended a net investing cash outflow of $3,734,779 during the financial year ended 30 June 2013.

The Consolidated Entity is currently in a negative net current asset position. The Directors are confident that the Group, subject to the capital raising disclosed below or obtaining further funding will continue as a going concern and will be able to meet existing commitments as they fall due. The Directors will also carefully manage discretionary expenditure in line with the Group's cash flow. The Company raised $419,701 from capital raisings (before costs) during the year ended 30 June 2013.

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"). In addition, the Transaction Agreements contemplate a proposed acquisition by the Company, subject to certain conditions including the Company obtaining all necessary shareholder approvals and entry into a binding acquisition agreement, of all the issued capital in KRX ("KRX Shares") other than those shares already owned by the Company, in consideration for the issue of 93,000,360 Shares to the shareholders of KRX (other than the Company) ("KRX Shareholders") in proportion to their respective interests in KRX ("Proposed KRX Acquisition"). The Company is currently a 30.77% shareholder of KRX as a result of its previous $1 million investment in KRX.

On 19 July 2013, the Company announced that in addition to the Transaction Agreements announced on 17 June 2013, the Transaction Agreements further contemplate; the conversion of outstanding shareholder loans and consultancy fees amounting to $260,000 into 10,400,000 Shares and 4,333,333 Unlisted Options (on a pre-Consolidation basis) ("Proposed Fee and Loan Repayment"); an offer to buyback and, if accepted, cancel all listed options to subscribe for Shares ("Listed Options") on issue in consideration for the issue and allotment of Shares on a basis of 1 Share for every 6 Listed Options ("Listed Option Offer"); and an exclusive right for Risco (or its nominee) to negotiate the acquisition of Lion's interest in the Seram Non-Bula PSC for a period of 6 months expiring on 14 December 2013. Furthermore, the ASX had advised the Company that it will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in connection with the proposed transactions. This involves meeting ASX listing requirements as if the Company were undergoing a new initial public offer. Completion of the proposed transactions will be conditional on ASX providing the Company, in a form suitable to the Company, with a list of conditions (including satisfaction of Chapters 1 and 2 of the Listing Rules and such other conditions being reasonably acceptable to the Company) which, when satisfied, will result in ASX reinstating Shares to quotation on ASX. The Company will be looking to implement, subject to shareholder approval: a share capital consolidation on a 1 for 10 basis ("Consolidation"); an equity raising, under which LIO will issue Shares to raise up to $2 million (before costs and expenses) at an issue price of no less than A$0.25 per Share (on a post Consolidated basis) ("Equity Raising"); the Shares to be issued under each of the proposed transactions will be adjusted in accordance with the Consolidation and will be subject to any ASX-imposed escrow; and the Equity Raising will occur in place of the Proposed Investor Placement.

Should the above capital raising or other funding not be obtained then there is significant uncertainty whether the Group will continue as a going concern and whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

	Consolidated Entity 2013 $	2012 $
NOTE 3. 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	2,164,888	2,014,232
Interest receivable from other persons	2,814	41,880
Loan recovered previously provided for non-recovery	180,000	—
	2,347,702	2,056,112
SHARE OF LOSSES OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		
Share of loss – associated companies	301,110	—
	301,110	—
CHARGING AS EXPENSES		
Depreciation	4,787	6,096
Remuneration expenses	458,123	496,210
Travel	55,854	66,747
Rental expenses	39,853	33,776
Other administration expenses	478,722	588,059
Write down of joint venture interest	2,065,925	1,736,281
Indonesian First Tranche Petroleum royalty	83,198	84,348
Foreign exchange gain/(loss)	589,745	113,857
Settlement of Tulloch claim	—	737,500
Interest expense	5,175	—
Cost of share based payments	5,000	—
Other	—	8,041
	3,786,382	3,870,915

NOTE 4. INCOME TAX

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

	2013 $	2012 $
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	(2,760,313)	(2,606,910)
Prima facie income tax expense/(benefit) on operating loss calculated at 30%	(828,094)	(782,073)
Non-deductible expenses	65,929	131,562
Impairment of receivables	227,420	—
Attribution of income	—	65,626
Difference of effective foreign income tax rates	297,132	(152,384)
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	237,613	737,269
INCOME TAX EXPENSE FROM ORDINARY ACTIVITIES	—	—

	Consolidated Entity 2013 $	2012 $
UNRECOGNISED DEFERRED TAX BALANCES		
Unrecognised deferred tax asset – temporary differences	32,003	38,371
Unrecognised deferred tax asset – revenue losses	6,529,119	6,310,395
Unrecognised deferred tax asset – capital losses	571,130	564,321
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	7,132,252	6,913,087

NOTE 5. EARNINGS PER SHARE

	2013	2012
Basic profit/(loss) per share (cents per share)	(2.32)	(2.43)
Profit/(Loss) used in the calculation of basic EPS	(2,760,313)	(2,606,910)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	118,825,398	107,409,738

NOTE 6. TRADE AND OTHER RECEIVABLES (CURRENT)

	2013	2012
Trade debtors	387,604	—
Other debtors and prepayments	200,492	97,473
	588,096	97,473

NOTE 7. INVENTORIES

	2013	2012
Oil stock at cost	116,582	118,493
Joint venture materials at cost	337,239	285,443
	453,821	403,936

NOTE 8. PLANT AND EQUIPMENT

	2013	2012
PLANT AND EQUIPMENT		
At cost	248,521	225,283
Accumulated depreciation	(218,697)	(190,191)
TOTAL PLANT AND EQUIPMENT	29,824	35,092

MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT

	2013	2012
PLANT AND EQUIPMENT		
At the beginning of the financial year	35,092	45,590
Additions	—	3,623
Depreciation expense	(4,787)	(6,096)
Currency exchange adjustment	(481)	(8,025)
TOTAL PLANT AND EQUIPMENT	29,824	35,092

NOTE 9. TRADE AND OTHER RECEIVABLES (NON CURRENT)

	2013	2012
Loan to associated company, KRX Energy Pte Ltd	829,700	—
	829,700	—

	Consolidated Entity	
	2013	2012
	$	$

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 10. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

Joint venture exploration expenditure capitalised	—	882,708

MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

At the beginning of the financial year	882,708
Expenditure during the year	1,169,200
Amounts written off	(2,065,925)
Currency exchange adjustment	14,017
AT THE END OF THE FINANCIAL YEAR	—

NOTE 11. INVESTMENTS IN ASSOCIATES (NON CURRENT)

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

	Consolidated Entity Percentage Interests	
	2013	2012
	%	%
KRX Energy Pte Ltd (incorporated in Singapore)	30.77%	15.73%

	Consolidated Entity	
	2013	2012
	$	$
Investment in associate KRX Energy Pte Ltd	1,000,000	420,000
Share of losses of associates accounted for using the equity method	(301,110)	—
	698,890	420,000

MOVEMENTS IN THE CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES

At the beginning of the financial year	420,000
Investment expenditure during the year	580,000
Share of losses of associates accounted for using the equity method	(301,110)
AT THE END OF THE FINANCIAL YEAR	698,890

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Consolidated Entity 2013 $	2012 $
SHARE OF ASSETS AND LIABILITIES		
Current assets	116,024	—
Non-current assets	203,286	—
TOTAL ASSETS	319,310	—
Current liabilities	411,284	—
TOTAL LIABILITIES	411,284	—
NET ASSETS	(91,974)	—
SHARE OF REVENUE, EXPENSES AND RESULTS		
Revenue	—	—
Expenses	(301,110)	—
PROFIT/(LOSS) BEFORE INCOME TAX	(301,110)	—
Income tax expense	—	—
PROFIT/(LOSS) AFTER INCOME TAX	(301,110)	—

KRX Energy Pte Ltd has a financial year end of 30 June.

NOTE 12. TRADE AND OTHER PAYABLES (CURRENT)

	2013 $	2012 $
Sundry creditors and accrued expenses	706,432	485,107
	706,432	485,107

NOTE 13. BORROWINGS

	2013 $	2012 $
Borrowings from unrelated parties	402,733	—
Borrowings from Risco Energy Investments Pte Ltd	649,700	—
	1,052,433	—

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 an interest free loan of $250,000. Repayment of the $250,000 loan has been guaranteed by Mr Russell Brimage, a director of the Company.

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. The first drawdown amount of US$623,756 has already been provided.

   As the required shareholder approval for conversion of the convertible loan has not been received at 30 June 2013, the first drawdown has not been accounted for as a hybrid financial instrument and no separate equity component has been calculated at 30 June 2013.

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.

	Consolidated Entity 2013 $	2012 $
NOTE 14. TRADE AND OTHER PAYABLES (NON-CURRENT)		
Sundry creditors and accrued expenses	745,972	595,332
	745,972	595,332
NOTE 15. ISSUED CAPITAL		
128,004,729 (2012: 114,023,309) fully paid ordinary shares	49,985,068	49,575,567
	49,985,068	49,575,567

MOVEMENTS IN ISSUED CAPITAL

At the beginning of the period	49,575,567	
1,572,520 shares issued on 18 December 2012	47,434	
3,000,000 shares issued on 21 February 2013	90,000	
5,666,667 shares issued on 28 February 2013	170,000	
2,666,667 shares issued on 21 March 2013	80,000	
1,075,566 shares issued on 11 April 2013	32,267	
Share issue expenses	(10,200)	
AT THE END OF THE FINANCIAL YEAR	49,985,068	

On 18 December 2012, the Company issued 1,572,520 fully paid ordinary shares for US$50,000 in total. Payment of the issue price was offset against a mobilisation fee due by the Company for a capital raising program. The issue of these securities was approved by the Annual General Meeting of shareholders held on 22 November 2012.

On 21 February 2013, the Company issued 3,000,000 fully paid ordinary shares for $0.03 per share. The issue of these securities was approved by the Annual General Meeting of shareholders held on 22 November 2012.

On 28 February 2013, the Company issued 5,666,667 fully paid ordinary shares for $0.03 per share pursuant to the exercise of 5,666,667 options expiring on 31 December 2013.

On 21 March 2013, the Company issued 2,666,667 fully paid ordinary shares for $0.03 per share.

On 11 April 2013, the Company issued 1,075,566 fully paid ordinary shares for $0.03 per share pursuant to the exercise of 1,075,566 options expiring on 31 December 2013.

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	
	2013	2012
	$	$

NOTE 16. RESERVES

	2013 $	2012 $
Option premium reserve	110,308	105,308
Currency translation reserve	(590,269)	(1,119,713)
	(479,961)	(1,014,405)

MOVEMENTS IN OPTION PREMIUM RESERVE

	2013 $
At the beginning of the financial year	105,308
5,000,000 options issued on 26 March 2013	5,000
AT THE END OF THE FINANCIAL YEAR	110,308

MOVEMENTS IN CURRENCY TRANSLATION RESERVE

	2013 $
At the beginning of the financial year	(1,119,713)
Consolidation adjustment for the year	529,444
AT THE END OF THE FINANCIAL YEAR	(590,269)

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 26 March 2013, the Company issued 5,000,000 free listed options exercisable at 3 cents each on or before 31 December 2013. These options were issued as part consideration for loan agreements. These options were valued at $0.001 each based on the market price of the listed options on the day of issue.

	Company	
	2013	2012
	$	$

NOTE 17. PARENT ENTITY

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

CURRENT ASSETS

	2013 $	2012 $
Cash and cash equivalents	119,933	1,267,488
Trade and other receivables	27,477	20,453
TOTAL CURRENT ASSETS	147,410	1,287,941

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

	Company 2013 $	2012 $
NON-CURRENT ASSETS		
Plant and equipment	16,500	21,287
Receivables	829,700	—
Investments in associates	698,890	420,000
Other financial assets	60,486	60,486
TOTAL NON-CURRENT ASSETS	1,605,576	501,773
TOTAL ASSETS	1,752,986	1,789,714
CURRENT LIABILITIES		
Trade and other payables	254,230	43,429
Borrowings	1,052,433	—
Amounts payable to wholly owned controlled entities	6,113,950	6,121,676
TOTAL CURRENT LIABILITIES	7,420,613	6,165,105
TOTAL LIABILITIES	7,420,613	6,165,105
NET ASSETS	(5,667,627)	(4,375,391)
EQUITY		
Issued capital	49,985,068	49,575,567
Reserves	110,308	105,308
Accumulated losses	(55,763,003)	(54,056,266)
TOTAL EQUITY	(5,667,627)	(4,375,391)

FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL YEAR:

	2013 $	2012 $
Profit/(loss) after related income tax expense	(1,706,737)	(1,883,749)
Other comprehensive income		—
TOTAL COMPREHENSIVE INCOME	(1,706,737)	(1,883,749)

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

	Consolidated Entity 2013 $	2012 $
NOTE 18. CASH FLOW INFORMATION		
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
Profit/(loss) after tax	(2,760,313)	(2,606,910)
Cash flows in loss attributable to non-operating activities		
Exploration and evaluation expenditure	1,020,523	792,107
Non-cash flows in loss		
Depreciation of plant and equipment	4,787	6,096
Foreign exchange	589,745	113,857
Exploration expenditure written down	2,065,925	1,736,281
Indonesian First Tranche Petroleum royalty	83,198	84,348
Share of losses of associates	301,110	—
Share based payments	5,000	—
Interest payable added to loan balance	2,733	
Changes in assets and liabilities		
Decrease/(increase) in trade debtors	(387,604)	—
Decrease/(increase) in other debtors and prepayments	(7,024)	832,869
Increase/(decrease) in other creditors and accruals	210,801	24,132
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,128,881	982,780
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the end of the financial year is shown in the accounts as:		
Cash and cash equivalents	121,607	1,274,699
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	121,607	1,274,699

NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing and investing activities during the year.

The Company has secured a $1.5 million convertible loan facility. At 30 June 2013, $649,700 had been drawn down leaving $850,300 available. There are no other financing facilities in place for the Company.

	Consolidated Entity	
	2013	2012
	$	$

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	6,296	36,576
later than 1 year but not later than 5 years	—	30,724
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	6,296	67,300

NOTE 20. AUDITORS' REMUNERATION

Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	40,196	34,291
Other services	9,435	7,400
		41,691

NOTE 21. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity	
	2013	2012
	$	$
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Short term employee benefits	430,000	448,253
Post employment benefits	—	—
Share based payment benefits	—	—
	430,000	448,253

SHARES AND OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	Number of Ordinary Shares			
	1 July 2012 or Appointment	Issued as Compensation	Net Change Other	30 June 2013 or Resignation
Russell Brimage	22,554,400	—	5,666,667	28,221,067
Weidong Zhang	—	—	—	—
Simon Reeve	—	—	—	—
Jack Toby	—	—	—	—
	22,554,400	—	5,666,667	28,221,067

		Number of Ordinary Shares		
	1 July 2011 or Appointment	Issued as Compensation	Net Change Other	30 June 2012 or Resignation
Russell Brimage	54,400	—	22,500,000	22,554,400
Weidong Zhang	—	—	—	—
Simon Reeve	—	—	—	—
Jian Wu	13,045,376	—	—	13,045,376
Jack Toby	—	—	—	—
	13,099,776	—	22,500,000	35,599,776

		Number of Options		
	1 July 2012 or Appointment	Issued as Compensation	Net Change Other	30 June 2013 or Resignation
Russell Brimage	22,500,000	—	(5,666,667)	16,833,333
Weidong Zhang	—	—	—	—
Simon Reeve	—	—	—	—
Jack Toby	4,635,000	—	—	4,635,000
	27,135,000	—	(5,666,667)	21,468,333

		Number of Options		
	1 July 2011 or Appointment	Issued as Compensation	Net Change Other	30 June 2012 or Resignation
Russell Brimage	4,000,000	—	18,500,000	22,500,000
Weidong Zhang	1,000,000	—	(1,000,000)	—
Simon Reeve	—	—	—	—
Jian Wu	—	—	—	—
Jack Toby	—	—	4,635,000	4,635,000
	5,000,000	—	22,135,000	27,135,000

All options are vested and exercisable.

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 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.

Liabilities are allocated to segments where there is a direct nexus between the incurrence 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.

	YEAR TO 30 JUNE 2013			YEAR TO 30 JUNE 2012		
	Lion International Investments Limited and its subsidiaries $	**Other Group Entities $**	**Total $**	**Lion International Investments Limited and its subsidiaries $**	**Other Group Entities $**	**Total $**
SEGMENT PERFORMANCE						
External revenue	2,164,888	182,814	2,347,702	2,031,192	24,920	2,056,112
Other external income	—	—	—	—	—	—
TOTAL SEGMENT REVENUE	2,164,888	182,814	2,347,702	2,031,192	24,920	2,056,112
Segment net profit/(loss) before tax	(1,024,509)	(1,735,804)		(749,830)	(1,857,080)	
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			(2,760,313)			(2,606,910)

	30 JUNE 2013			30 JUNE 2012		
	Lion International Investments Limited and its subsidiaries $	**Other Group Entities $**	**Total $**	**Lion International Investments Limited and its subsidiaries $**	**Other Group Entities $**	**Total $**
SEGMENT ASSETS						
Segment assets	1,027,764	1,694,174		1,377,469	1,736,439	
TOTAL ASSETS FROM CONTINUING OPERATIONS			2,721,938			3,113,908

	30 June 2013			30 June 2012		
	Lion International Investments Limited and its subsidiaries $	Other Group Entities $	Total $	Lion International Investments Limited and its subsidiaries $	Other Group Entities $	Total $
SEGMENT LIABILITIES						
Segment liabilities	1,198,174	1,306,663		1,037,010	43,429	
TOTAL LIABILITIES FROM CONTINUING OPERATIONS			2,504,837			1,080,439

REVENUE BY GEOGRAPHICAL REGION

Revenue attributed to external customers is disclosed below based on the location of the external customers.

	Year to 30 June 2013 $	Year to 30 June 2012 $
Australia	182,814	24,920
Asia	2,164,888	2,031,192
USA	—	—
	2,347,702	2,056,112

ASSETS BY GEOGRAPHICAL REGION

The location of assets is disclosed below by the geographical location of the assets.

	30 June 2012 $	30 June 2011 $
Australia	163,910	1,729,228
Asia	2,556,354	1,377,469
USA	1,674	7,211
	2,721,938	3,113,908

MAJOR CUSTOMERS

Due to the nature of its current operations, the Group does not provide products and services.

NOTE 23. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2013	2012	2013 $	2012 $	2013 $	2012 $
Parent Entity						
Lion Energy Limited						
Entities controlled by Lion Energy Limited						
Lion International Investment Limited	100%	100%	60,474	60,474	(1,024,509)	(567,229)
Lion Energy Limited USA, Inc	100%	100%	12	12	(8,468)	(3,306)
Entities controlled by Lion International Investment Limited						
Lion Nanning Petro-Chemical Limited	Nil	Nil	—	—	—	(182,601)
Entities controlled by Lion Energy Limited USA, Inc						
Lion USA LLC	100%	100%	—	—	—	—
			60,486	60,486	(1,032,977)	(753,136)

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. Lion Nanning Petro-Chemical Limited is registered in China.

During the year ended 30 June 2012, the Company disposed of Lion Nanning Petro-Chemical Limited. The results of this company have been included in the Consolidated Entity to 27 February 2012, the date of its disposal. Lion Nanning Petro-Chemical Limited had cash assets of $5,742,496 and no other assets and owed $5,498,531 to Lion International Investment Limited and no other liabilities on the date of its disposal. The disposal of this company formed part of the consideration for a selective buy-back of the Company's shares. As part of the buy-back the debt of $5,498,531 owed to Lion International Investment Limited was assigned to the vendors of the buy-back shares.

The functional currency of Lion Energy Limited is Australian Dollars ($), the functional currency of Lion Nanning Petro-Chemical Limited is Yuan Renminbi and the functional currency of all other controlled entities of Lion Energy Limited is United States Dollars (US$).

NOTE 24. JOINT VENTURE INTERESTS

The Consolidated Entity has a 2.5% working interest in the exploration and development of the Seram (Non-Bula) Joint Venture in Indonesia.

The carrying value of the Group's interest in these joint venture assets as at 30 June 2012 was $(170,410) and at 30 June 2011 was $340,459.

NOTE 25. CONTINGENT LIABILITIES

The Company has entered into a $1.5 million convertible note facility. 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 (note 13).

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

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.

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 balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no material amounts of collateral held as security at 30 June 2013. 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 30 June 2013 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.

PRICE RISK

The group is exposed to commodity price risk through its Joint Venture Interests. Oil and Gas prices have improved substantially over the last 12 months and the Group does not currently hedge the price it sells oil and gas at.

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 balance sheet.

	Consolidated Entity	
	2013	**2012**
	$	**$**
TRADE AND OTHER RECEIVABLES ARE EXPECTED TO BE RECEIVED AS FOLLOWS:		
Less than 6 months	588,096	97,473
6 months to 1 year	—	—
later than 1 year but not later than 5 years	—	—
over 5 years	—	—
	588,096	97,473
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:		
Less than 6 months	1,758,865	485,107
6 months to 1 year	—	—
later than 1 year but not later than 5 years	—	—
over 5 years	745,972	595,332
	2,504,837	1,080,439

FAIR VALUES

The aggregate net 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 2013 $	AGGREGATE NET FAIR VALUE 2013 $	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2012 $	AGGREGATE NET FAIR VALUE 2012 $
Financial Assets				
Cash assets	121,607	121,607	1,274,699	1,274,699

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2013 $	AGGREGATE NET FAIR VALUE 2013 $	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2012 $	AGGREGATE NET FAIR VALUE 2012 $
Receivables	588,096	588,096	97,473	97,473
Financial Liabilities				
Payables	2,504,837	2,504,837	1,080,439	1,080,439

The following methods and assumptions are used to determine the net 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 financial instruments at fair value at 30 June 2013.

Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net 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 balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

INTEREST RATE SENSITIVITY ANALYSIS

At 30 June 2013, 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	
	2013 $	**2012 $**
CHANGE IN PROFIT DUE TO:		
Increase in interest rate by 2%	9,268	97,692
Decrease in interest rate by 2%	(2,814)	(41,880)
CHANGE IN EQUITY DUE TO:		
Increase in interest rate by 2%	9,268	97,692
Decrease in interest rate by 2%	(2,814)	(41,880)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2013, 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 2013 $	2012 $
CHANGE IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	(376,131)	(306,002)
Decline in AUD to USD by 5%	340,311	276,858
CHANGE IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	(8,858)	62,397
Decline in AUD to USD by 5%	8,018	(56,455)

NOTE 28. RELATED PARTY TRANSACTIONS

The Company's borrowings include an interest free loan of $250,000. Repayment of the $250,000 loan has been guaranteed by Mr Russell Brimage, a director of the Company

The Company is not controlled by any other entity.

At 30 June 2013, directors and their related entities held directly, indirectly or beneficially 28,221,067 ordinary shares and 16,833,333 options expiring 31 December 2013 and exercisable at 3 cents each in the Company.

NOTE 29. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 30. EVENTS SUBSEQUENT TO BALANCE DATE

On 19 July 2013, the Company announced that in addition to the Transaction Agreements announced on 17 June 2013, the Transaction Agreements further contemplate; the conversion of outstanding shareholder loans and consultancy fees amounting to $260,000 into 10,400,000 Shares and 4,333,333 Unlisted Options (on a pre-Consolidation basis) ("Proposed Fee and Loan Repayment"); an offer to buyback and, if accepted, cancel all listed options to subscribe for Shares ("Listed Options") on issue in consideration for the issue and allotment of Shares on a basis of 1 Share for every 6 Listed Options ("Listed Option Offer"); and an exclusive right for Risco (or its nominee) to negotiate the acquisition of Lion's interest in the Seram Non-Bula PSC for a period of 6 months expiring on 14 December 2013. Furthermore, the ASX had advised the Company that it will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in connection with the proposed transactions. This involves meeting ASX listing requirements as if the Company were undergoing a new initial public offer. Completion of the proposed transactions will be conditional on ASX providing the Company, in a form suitable to the Company, with a list of conditions (including satisfaction of Chapters 1 and 2 of the Listing Rules and such other conditions being reasonably acceptable to the Company) which, when satisfied, will result in ASX reinstating Shares to quotation on ASX. The Company will be looking to implement, subject to shareholder approval: a share capital consolidation on a 1 for 10 basis ("Consolidation"); an equity raising, under which LIO will issue Shares to raise up to $2 million (before costs and expenses) at an issue price of no less than A$0.25 per Share (on a post Consolidated basis) ("Equity Raising"); the Shares to be issued under each of the proposed transactions will be adjusted in accordance with the Consolidation and will be subject to any ASX-imposed escrow; and the Equity Raising will occur in place of the Proposed Investor Placement.

There have been no conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares.

No other matters or circumstances have arisen since the end of the financial year 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.

10 Kings Park Road
West Perth WA 6005
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

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 ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 year'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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. 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.

Auditor's 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 30 June 2013 and of its performance for the year 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 the notes to the financial statements.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the Company incurred a net loss of $2,760,313 during the year ended 30 June 2013 and, as of that date, the Company's current liabilities exceeded its current assets by $595,341. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 7 of the Directors' Report for the year ended 30 June 2013. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Lion Energy Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 17 September 2013

10 Kings Park Road
West Perth WA 6005
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 audit of Lion Energy Limited for the year ended 30 June 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 audit; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert

J W Vibert
Partner - Audit & Assurance

Perth, 17 September 2013

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares	Options expiring 31 Dec 2013 3 cents
1 — 1,000	601	90
1,001 — 5,000	764	78
5,001 — 10,000	149	13
10,001 — 100,000	188	22
100,001 — and over	84	33
Total number of holders	1,786	236
Holdings of less than a marketable parcel	1,615	

REGISTERED OFFICE OF THE COMPANY

Ground Floor
15 Rheola St
West Perth
Western Australia 6005

Tel: +61 (8) 9213 4300
Fax: +61 (8) 9213 4311

STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares and all options expiring 31 December 2013 on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Lion Energy Limited.

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

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

COMPANY SECRETARY

The name of the company secretary is Jack Hugh Toby.

TAXATION STATUS

Lion Energy Limited is taxed as a public 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.

ADDITIONAL INFORMATION AS AT 11 SEPTEMBER 2013

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Pouvoir Pty Ltd <Brimage Super Fund A/C>	28,166,667	22.00%
KKSH Holdings Ltd	11,895,000	9.29%
Mr Robert Francis Davies <R And Y Davies S/F A/C>	7,576,644	5.92%
Mr John Jansen + Mrs Dale Lorraine Jansen <Jj Retirement Fund A/C>	5,307,458	4.15%
Jacobs Oil & Gas Ltd	4,554,211	3.56%
Zapac Pty Ltd	3,171,523	2.48%
Otway Oil & Gas Pty Ltd	3,000,000	2.34%
Dolenter Ira Nominees Pty Ltd	2,974,157	2.32%
Mr Kenneth Bull	2,900,591	2.27%
Mr Kyle Stuart Passmore	2,900,591	2.27%
Mr Justin James Hilton Walta	2,900,591	2.27%
Elstree Holdings Pty Ltd <The Dale Investment A/C>	2,800,000	2.19%
Asian Cleveland Ltd	2,340,000	1.83%
Sir Patrick Brown	1,666,667	1.30%
Mr James Chiu	1,666,667	1.30%
Ms Nada Saade	1,620,023	1.27%
Intersuisse Nominees Pty Ltd <Custodian A/C>	1,572,520	1.23%
Dale Estates Pty Ltd <Dale Superannuation A/C>	1,500,000	1.17%
Jungar Holdings Pty Ltd <The Whyte Super Fund A/C>	1,500,000	1.17%
Small Business Finance Pty Limited	1,479,373	1.16%
	91,492,683	71.49%

TWENTY LARGEST HOLDERS OF 3 CENT OPTIONS EXPIRING 31 DECEMBER 2013

	Number of Options	Percentage of Total
Pouvoir Pty Ltd <Brimage Super Fund A/C>	16,250,000	17.90%
KKSH Holdings Ltd	11,661,667	12.85%
Ohio Holdings Pty Ltd	7,000,000	7.71%
Mr Robert Francis Davies <R And Y Davies S/F A/C>	5,848,076	6.44%
Ohio Holdings Pty Ltd	5,000,000	5.51%
Northgold Pty Ltd <Northgold Super Fund A/C>	4,635,000	5.11%
Mrs Ravikan Garner	4,000,000	4.41%
Mr Paul Charles Garner	3,635,000	4.01%
Mr Richard Charles Grigg	3,333,333	3.67%
Mr Kenneth Bull	2,900,591	3.20%
Mr Kyle Stuart Passmore	2,900,591	3.20%
Mr Justin James Hilton Walta	2,900,591	3.20%
Jacobs Oil & Gas Ltd	2,826,552	3.11%
Ms Qiuyun Shen	2,500,000	2.75%
Asian Cleveland Ltd	2,340,000	2.58%
Mr John Jansen + Mrs Dale Lorraine Jansen <Jj Retirement Fund A/C>	1,720,874	1.90%
Jungar Holdings Pty Ltd <The Whyte Super Fund A/C>	1,500,000	1.65%
Mr James Allan Duff	1,000,000	1.10%
W & N Morrison Investments Pty Ltd	1,000,000	1.10%
Jacobs Oil And Gas Ltd	916,555	1.01%
	83,868,830	92.41%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
28-Feb-2013	Russell Brimage	28,221,067
27-Mar-2012	KKSH Holding Ltd	11,345,000
26-Feb-2013	Mr Robert Francis Davies <R And Y Davies S/F A/C>	7,575,394

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND RECOMMENDATIONS

INTRODUCTION

The directors are focussed 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 – 2nd 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 it considers will enable 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. At the end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

BOARD CHARTER

The Board has adopted the following Board Charter:

The business of the Company is managed under the direction of the Board of Directors. The Board is accountable to shareholders of the Company for the performance of the Company.

The Board has primary responsibility to shareholders for the sustainability and relevance of the Company by guiding and monitoring its business and affairs.

Each Director of the Company will act in good faith in the best interests of the Company and collectively oversee and appraise the strategies, major policies, processes and performance of the company using care and diligence to ensure that Company's long term sustainability is assured.

Directors will not misuse their position on the Board to advance personal interests nor to represent particular constituencies. Directors will not use information available to them as Board members to advance personal interests or agendas.

Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors must absent themselves from discussion or decisions on those matters.

The Company's Constitution and Australian corporations law specifies the minimum and maximum number of directors of the Company.

The Directors must elect one of their number as Chairman.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The Company has established the functions reserved to the Board. The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the chief executive officer, managing director, or equivalent;
- ratifying the appointment and the removal of senior executives;
- providing input into and final approval of management's development of corporate strategy;
- reviewing, ratifying and monitoring risk management, internal control, codes of conduct and legal compliance;
- monitoring senior executives performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- approving and monitoring financial and other reporting.

Role and Responsibilities of Senior Executives

The Company has established the functions reserved to senior executives. Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be senior executives. The functions delegated to senior executives are:

- Managing and administer the day-to-day operations of the Company;
- Making recommendations to the Board on corporate strategy, risk management, internal control, codes of conduct and legal compliance.
- Supervising other staff and represent them to the Board
- Exercising such specific and express powers as are delegated to them by the Board from time to time;

Evaluation of the performance of Senior Executives

A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2013 as the Board monitors the performance of senior executives on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate.

Availability to public

The matters reserved for the Board, the matters delegated to senior executives and the Board Charter is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The names of the directors of the Company and their qualifications are: set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2013.

The mix of skills and diversity for which the Board of directors is looking to achieve in membership of the Board is that required so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The recommendations are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;
- has not within the last 3 years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with such a service provided;
- is not a material supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or any other Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Board members Mr Weidong Zhang and Mr Simon Reeve meet these criteria. Consequently, the Board has a majority of independent directors. Mr Russell Brimage is the chairman of the Board. The Chairman is not an independent director.

Mr Russell Brimage was appointed a director on 10 August 2005. Mr Weidong Zhang was appointed a director on 20 November 2006 and Mr Simon Reeve was appointed a director on 22 February 2012.

The Chief Executive Officer of the Company is the Executive Chairman, Mr Russell Brimage.

A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2013 as the performance of the Board, its committees (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole.

The Board has agreed on the following guidelines for assessing the materiality of matters:

Balance sheet items are material if they have a value of more than 7% of pro-forma net asset. Profit and loss items are material if they will have an impact on the current year operating result of 7% or more. Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Gender Diversity

The Group does not discriminate on the basis of gender and has no measurable objectives for achieving gender diversity.

There are no women on the Board. The proportion of women in a senior executive position in the Group is 0%. The proportion of women employees in the whole organisation is 0%.

Nomination of Other Board Members

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors. Consequently, the Board has not established a nomination committee. The Board has not adopted a Nomination Committee Charter.

Independent Advice

Each of the directors is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.

Availability to public

The Board's policy for nomination and appointment of directors is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company has established a code of conduct as to the:

- Practices necessary to maintain confidence in the Company's integrity;
- Practices necessary to take into account their legal obligations and the expectations of their stakeholders;
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The terms of the code of conduct are:

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Each director and senior executive is required to advise the Chairman of the Board of any reports of unethical practises by any director, executive or employee of the Company. The Chairman of the Board will investigate the matter and report back to the Board as a whole.

Availability to public

The code of conduct is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Directors are required to make disclosure of any trading in securities of the Company.

The Company has a policy for trading in the securities of the Company. The policy is:

ADDITIONAL INFORMATION AS AT 11 SEPTEMBER 2013

POLICY FOR TRADING IN THE SECURITIES OF THE COMPANY

DEFINITIONS

Insider Trading:

'Insider trading' includes the trading of securities or some wider set of financial products (including derivatives and financial products able to be traded on a financial market) while in possession of information that is not generally available and would be likely to have a material effect on their price or value if it were generally available. The prohibition against insider trading extends to applying for, acquiring or disposing of, or entering into an agreement to apply for, acquire or dispose of relevant financial products, or procuring another person to so trade, or communicating that information where trading in the relevant financial products is likely to take place.

The insider trading provisions are found in Part 7.10, Division 3 of the Corporations Act 2001 ("Corporations Act"). Section 677 of the Corporations Act defines material effect on price or value. A reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell, the first mentioned securities.

Company Securities:

Company Securities means shares, options or performance rights over those shares and other securities convertible into shares, and any financial products of the Company traded on ASX.

Closed Periods:

Closed Periods means the following periods of time:

a) From 7 January of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results; and

b) From 7 July of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results; and

Key Management Personnel:

Key Management Personnel are defined in the ASX Listing Rules.

Declaration:

A declaration may be validly issued in either written or electronic form. Electronic declarations may take the form of an email, fax or any other electronic recordable communication.

Excluded Trading:

Excluded trading means trading consistent with any of the following categories:

Transfers of Company's Securities already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;

An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;

Where a restricted person is a trustee, trading in the Company's Securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a closed period is taken by the other trustees or by the investment managers independently of the restricted person;

Undertakings to accept, or the acceptance of, a takeover offer;

Trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;

A disposal of the Company's Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement, provided that the restricted person obtained the consent of the Chairman or Chief Executive Officer of the Company to enter into agreements that provide lenders with rights over their interests in the entity's securities;

Acquisition of the Company's Securities through an issue of securities by the Company;

The exercise (but not the sale of securities following exercise) of an option or a right, or the conversion of a convertible security;

Trading in accordance with a declaration by the Chairman or Chief Executive Officer which may be given in circumstances that they consider appropriate. The declaration may specify the circumstances and duration of excluded trading; or

Trading under a non-discretionary trading plan for which prior clearance by the Chairman or Chief Executive Officer of the Company has been provided and where:

a) the restricted person did not enter into the plan or amend the plan during a closed period;

b) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and

c) there was no cancellation of the trading plan during a closed period other than in exceptional circumstances.

Trading Restrictions

All Key Management Personnel and all employees of the Company are required to comply with the prohibition against Insider Trading at all times with respect to the Company's Securities. Contravention of the insider trading prohibition may result in significant penalties.

With the introduction of the continuous disclosure regime, public listed companies and other disclosing entities are now required to disclose Price Sensitive Information on an on-going basis (subject to limited exceptions) so that at all times in the year the market can be fully informed and trading can be lawful. As a result the Company has decided not to specify safe periods but rather to designate periods when Trading by Key Management Personnel should not occur.

All Key Management Personnel are required to refrain from trading in the Company's Securities on the ASX during a Closed Period except for Excluded Trading.

All directors of the Company are required to comply with the Corporations Act and the ASX Listing Rules with regard to disclosure of their interests in the Company's Securities on their appointment as a director, on any change in their interests in the Company's Securities and on resignation as a director.

Availability to public

The policy for trading in the securities of the Company is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Principle 4: Safeguard Integrity in Financial Reporting

No audit committee has been established. The Board has not adopted an Audit Committee Charter. The two executive directors play an active role in monitoring the daily affairs of the Company. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each Board member has access to the external auditors and the auditor has access to each Board member.

In the event of the resignation of external auditors, the Board will appoint a new external auditor which is subsequently ratified by shareholders in General Meeting. In all other cases an external auditor is nominated by a shareholder of the Company and is appointed by shareholders in General Meeting. An external auditor can be removed by shareholders in General Meeting. The Board does not have a policy for the rotation of external audit engagement partners.

Availability to public

The above policies and procedures are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has established a policy to ensure compliance with ASX Listing Rule disclosure and accountability at senior executive level for that compliance. The terms of the policy are:

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The Company Secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at its Annual General Meetings. The terms of the communications policy are:

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly cash flow reports and reports as to activities and announcing these reports to the ASX;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting. The Annual General Meeting is held each year at a convenient time and place.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGING RISK

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Company. The Company has established a policy for the oversight of material business risks and the management of material business risks. Risk management is a process of continuous improvement that is integrated into existing practices or business processes. The terms of these risk management policies are:

- Liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- Define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process.
- Identify the risks to be managed.
- Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.
- Compare estimated levels of risk against pre-established criteria (see risk matrix in Risk Management Guide) and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action.
- The Chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives.
- The Board is responsible for oversight and for providing corporate assurance on the adequacy of risk management procedures.
- Managers at all levels are to create an environment where managing risk forms the basis of all activities.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and has required management to report to it on whether those risks are being managed effectively. The Chief Executive has reported to the board as to effectiveness of the Company's management of its material business risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration under section 295A of the Corporations Act is founded on an appropriate system of risk management and internal control suitable for a small company, which is operating effectively in all material respects in relation to financial reporting risks.

Availability to public

The above policies are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee. The Board has not adopted a Remuneration Committee Charter. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors and senior executives is determined by the Board as a whole.

ADDITIONAL INFORMATION AS AT 11 SEPTEMBER 2013

- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive director. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

- When the Board as a whole considers the remuneration of a particular director, that director will take no part in the decision making process or discussions.

- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company. One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

There are no schemes for retirement benefits other than superannuation for non-executive directors. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under an equity based remuneration scheme. The Company does not currently have an unvested equity based remuneration scheme.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL)

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.1 and 2.2	The Board does not have a majority of independent directors. The Chairman is not an independent director.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.
2.3	The roles of Chairman and Chief Executive Officer are exercised by the same individual.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that the combined roles of Chairman and Chief Executive Officer are appropriate in the circumstances.
2.4	A separate Nomination Committee has not been formed.	The Board comprises three members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.
3.2 and 3.3	No formal diversity policy has been established.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that a diversity policy is not in the best interests of the Company at this time.

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
4.1, 4.2 and 4.3	No formal audit committee has been established or formal charter drawn.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
8.1 and 8.2	No formal remuneration committee has been established.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a remuneration committee.