



Interim Financial Report Period Ended 30 June 2016

Lion Energy Limited
ABN 51 000 753 640



This document should be read in conjunction with the Annual Financial Report of Lion Energy Limited for the period ended 31 December 2015.



**LION ENERGY LIMITED
CORPORATE DIRECTORY**

DIRECTORS: Russell Brimage (Executive Chairman)
Kim Morrison (Chief Executive)
Stuart B. Smith (Executive Director)
Thomas Soulsby (Non-executive Director)
Christopher Newton (Non-executive Director)

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

REGISTERED OFFICE: Suite 7, 295 Rokeby Road
Subiaco WA 6008
Australia

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

AUDITORS: **Ernst & Young**
11 Mounts Bay Road
Perth WA 6000
Tel: +61 (8) 9429 2222
Fax: +61 (8) 9429 2432

SHARE REGISTRY: **Computershare Investor Services Pty Ltd**
Level 11
172 St Georges Terrace
Perth, Western Australia 6000
GPO Box 2975
Melbourne VIC 3001
Tel: +61 1300 787 272
Fax: +61 (3) 9473 2500



DIRECTORS' REPORT

The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the period ended 30 June 2016. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Russell Brimage (Executive Chairman)
Kim Morrison (Chief Executive)
Stuart B. Smith (Executive Director)
Thomas Soulsby (Non-executive Director)
Christopher Newton (Non-executive Director)

OPERATING RESULTS

The operating and comprehensive loss for the Consolidated Entity, after income tax for the 6 months to 30 June 2016 amounted to US\$662,003 (2015: US\$691,392).

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

Significant Changes

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

Review of Operations

Operational highlights for the period:

- Production from the Seram (Non-Bula) PSC averaged 4,109 bopd, which equates to 18,698 barrels net to Lion, representing a 41% increase on the previous corresponding period.
- One oil lifting totalling 10,470 bbl net to the Company (but before First Tranche Petroleum) generated sales revenue of US\$254,776. Total revenue to the Company net of First Tranche Petroleum was US\$242,719. As at 30 June 2016 the Company's share of crude oil available for lifting was 10,450 bbl.
- In the South Block A PSC (Company 35%), located onshore North Sumatra, planning progressed for drilling of the low-risk Amanah Timur oil prospect. Drilling is expected in 4Q-2016.
- The Bohorok and Bengkalis joint studies were completed and lodged with the Indonesian Government in February 2016. Management expects that these two areas will be gazetted for award as a PSC in late-2016/early-2017.
- Lion was awarded a new conventional Joint Study in Eastern Indonesia which is expected to be completed over the next 12 months.

Further information may be found in the Company's reports for the March 2016 and June 2016 quarters, released to the ASX on 29 April 2016 and 25 July 2016, respectively.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

At the annual general meeting on 25 November 2014, the shareholders approved a total of 750,000 shares, with a deemed value of \$150,000 or \$0.20 per share, as incentive to director Stuart Smith to be issued over three years at 250,000 on 1st of February. On 4 July 2016, 250,000 ordinary shares were issued to Mr Smith being the second year's incentive issue due. The expense and liability was recognised as at 30 June 2016 for \$50,000.

On the same date 73,770 shares at \$0.061 per share were issued to a consultant in lieu of cash settlement.

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

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Ernst & Young, have provided a signed auditors independence declaration to the directors in relation to the six months ended 30 June 2016. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

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

Russell Brimage
Director

9th September 2016
Perth, Western Australia

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company set out on page 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2016 and of its performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) 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



Russell Brimage
Director

9th September 2016
Perth, Western Australia



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016**

	Note	6 months to 30 June 2016 US\$	6 months to 30 June 2015 US\$
SALES REVENUE	3	242,719	464,501
Cost of sales	3	(327,915)	(430,096)
GROSS PROFIT/ (LOSS)		(85,196)	34,405
Other operating income		-	61,748
Financing income	3	6	3,484
Administration expenses		(280,777)	(571,096)
Employee benefit expenses		(298,803)	(182,557)
Foreign exchange gains/ (losses)		2,767	(13,378)
LOSS BEFORE INCOME TAX		(662,003)	(667,394)
Income tax expense		-	(23,998)
LOSS AFTER INCOME TAX		(662,003)	(691,392)
LOSS FOR THE PERIOD		(662,003)	(691,392)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(662,003)	(691,392)
BASIC LOSS PER SHARE (CENTS PER SHARE)		(0.70)	(0.72)
DILUTED LOSS PER SHARE (CENTS PER SHARE)		(0.70)	(0.72)

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	30 June 2016 US\$	31 December 2015 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,464,036	2,129,296
Trade and other receivables	5	129,878	674,939
Inventories		503,623	337,680
TOTAL CURRENT ASSETS		2,097,537	3,141,915
NON-CURRENT ASSETS			
Plant and equipment		14,039	17,839
Receivables		131,250	131,250
Capitalised exploration and evaluation expenditure	6	8,330,132	8,025,118
Oil & gas properties	7	1,243,880	1,338,180
TOTAL NON-CURRENT ASSETS		9,719,301	9,512,387
TOTAL ASSETS		11,816,838	12,654,302
CURRENT LIABILITIES			
Trade and other payables	8	614,135	789,596
TOTAL CURRENT LIABILITIES		614,135	789,596
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		614,135	789,596
NET ASSETS		11,202,703	11,864,706
EQUITY			
Issued capital	9	47,421,356	47,421,356
Reserves		2,835,705	2,835,705
Accumulated losses		(39,054,358)	(38,392,355)
TOTAL EQUITY		11,202,703	11,864,706

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016**

	Note	6 months to 30 June 2016 US\$	6 months to 30 June 2015 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		538,552	915,916
Receipts from legal settlement		21,354	61,748
Production expenditure		(358,071)	(271,970)
Payments to suppliers & employees		(695,444)	(657,768)
Interest received		6	3,484
NET CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		(493,603)	51,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		-	(591)
Disposal of property, plant & equipment		1,533	-
Exploration and evaluation expenditure		(236,677)	(1,093,546)
Oil and gas properties expenditure		(41,487)	-
Receipt of performance bond collateral, net		105,000	-
NET CASH USED IN INVESTING ACTIVITIES		(171,631)	(1,094,137)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(665,234)	(1,042,727)
Net foreign exchange differences		(26)	(5,369)
Cash and cash equivalents at beginning of period		2,129,296	4,697,885
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	1,464,036	3,649,789

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016**

	Issued Capital US\$	Option Premium Reserve US\$	Currency Translation Reserve US\$	Accumulated Losses US\$	Total Equity US\$
<i>At 1 January 2015</i>	47,274,288	(27,070)	2,862,775	(37,009,474)	13,100,519
Loss for the period	-	-	-	(691,392)	(691,392)
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (RESTATED)	-	-	-	(691,392)	(691,392)
Transactions with owners in their capacity as owners					
Securities issued	127,694	-	-	-	127,694
Share issue cost	(3,793)	-	-	-	(3,793)
AT 30 JUNE 2015	47,398,189	(27,070)	2,862,775	(37,700,866)	12,533,028

	Issued Capital US\$	Option Premium Reserve US\$	Currency Translation Reserve US\$	Accumulated Losses US\$	Total Equity US\$
<i>At 1 January 2016</i>	47,421,356	(27,070)	2,862,775	(38,392,355)	11,864,706
Loss for the period	-	-	-	(662,003)	(662,003)
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	(662,003)	(662,003)
Transactions with owners in their capacity as owners					
Securities issued	-	-	-	-	-
Share issue cost	-	-	-	-	-
AT 30 JUNE 2016	47,421,356	(27,070)	2,862,775	(39,054,358)	11,202,703

The accompanying notes form part of this financial report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

NOTE 1. BASIS OF PREPARATION OF THE PERIOD FINANCIAL REPORT

These general purpose interim financial statements for the interim 6 month reporting period ended 30 June 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Lion Energy Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the period within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, together with any public announcements made during the period.

Statement of compliance

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

Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 December 2015, except as noted below.

New and amended accounting standards and interpretations

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 January 2016, including:

Reference and Title	Summary	Application date of standard*	Application date for Group*
AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.	1 January 2016	1 January 2016
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 January 2016
AASB 1057	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly,	1 January 2016	1 January 2016

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

Reference and Title	Summary	Application date of standard*	Application date for Group*
Application of Australian Accounting Standards	<p>paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p>		
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	<p>AASB 2014-9 amends AASB 127 <i>Separate Financial Statements</i>, and consequentially amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p> <p>AASB 2014-9 also makes editorial corrections to AASB 127.</p> <p>AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>	1 January 2016	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p> <ul style="list-style-type: none"> • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 <i>Interim Financial Reporting</i>:</p> <ul style="list-style-type: none"> • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from 	1 January 2016	1 January 2016

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

Reference and Title	Summary	Application date of standard*	Application date for Group*
	the interim financial statements to the location of this information.		
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>	The Standard completes the AASB’s project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 128 arising from the IASB’s narrow scope amendments associated with Investment Entities.	1 January 2016	1 January 2016
AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 January 2016

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new accounting standards and interpretations.

NOTE 2. GOING CONCERN BASIS

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Consolidated Entity incurred a net loss before income tax of US\$662,003 (2015: US\$691,392), a net operating cash outflow of US\$493,603 (2015: inflow of US\$51,410) and spent a net investing cash outflow of US\$171,631 (2015: US\$1,094,137) for the 6 months to 30 June 2016. The Directors note that should uncommitted business activities, such as continued exploration and evaluation activities, require expenditure in excess of funds available, options with regard to funding those activities will need to be sought.

The Consolidated Entity is currently in a positive net current asset position, including cash of US\$1,464,036 (Dec 2015: \$2,129,296). The Directors are confident that the Group has sufficient cash to fund its share of currently approved joint venture activities and will be able to meet existing commitments as they fall due. The Directors will also continue to carefully manage discretionary expenditure in line with the Group’s cash flow.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

**6 months to
30 June 2016
US\$** **6 months to
30 June 2015
US\$**

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	242,719	464,501
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FINANCE INCOME

Interest income	6	3,484
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BREAKDOWN OF EXPENSES

Cost of goods sold:

Production costs	192,128	222,436
Depreciation, depletion & amortisation	135,787	207,660
	327,915	430,096

Administrative expenses

Depreciation	2,267	2,867
Consultancy expenses	95,276	186,446
Legal expenses	27,436	38,824
Professional fees	66,794	77,897
Rental costs	4,713	17,979
Cost of share based payments	0	123,901
Travel expenses	27,393	54,004
Other administrative expenses	56,898	69,178

	280,777	571,096
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**30 June 2016
US\$** **31 December
2015
US\$**

NOTE 4. CASH AND CASH EQUIVALENTS

Cash at bank	1,367,388	1,975,412
Share of joint venture cash	96,648	153,884
	1,464,036	2,129,296



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

	30 June 2016 US\$	31 December 2015 US\$
NOTE 5. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade debtors	-	391,938
Other debtors and prepayments	79,878	128,001
Performance bond collateral	50,000	155,000
	<u>129,878</u>	<u>674,939</u>

NOTE 6. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

Capitalised exploration and evaluation expenditure	8,330,132	8,025,118
TOTAL	<u>8,330,132</u>	<u>8,025,118</u>

MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

At the beginning of the financial period	8,025,118	7,340,094
Expenditure during the period	305,014	685,024
AT THE END OF THE FINANCIAL PERIOD	<u>8,330,132</u>	<u>8,025,118</u>

Included in exploration and evaluation expenditure are costs associated with joint studies in the North and Central Sumatra basins. Two of the three studies have completed, being the North Sumatra "Bohorok" Joint Study and the Central Sumatra "Bengkalis" Joint Study. The Indonesian regulator, MIGAS, is in the process of placing both blocks out for PSC tender upon the conclusion of those studies and Lion Energy, as a joint study participant, will have the right to match any offers for the blocks to secure interests.

Also included in exploration and evaluation expenditure are costs associated with South Block A. Lion Energy received an extension of the exploration period under the terms of the PSC to 4 December 2016. The joint venture is currently evaluating options to meet the exploration well commitment currently required by the end 2016.

NOTE 7. OIL AND GAS PROPERTIES

Oil and gas properties	1,243,880	1,338,180
TOTAL	<u>1,243,880</u>	<u>1,338,180</u>

MOVEMENTS IN THE CARRYING AMOUNT OF OIL AND GAS PROPERTIES

At the beginning of the financial period	1,338,180	441,488
Expenditure during the period	230,087	1,570,357
Depreciation, Depletion & Amortisation	(135,787)	(673,665)
AT THE END OF THE FINANCIAL PERIOD	<u>1,243,880</u>	<u>1,338,180</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

NOTE 8. TRADE AND OTHER PAYABLES (CURRENT)

Sundry creditors and accrued expenses	248,489	248,675
Share of joint venture payables	365,646	540,921
	614,135	789,596

30 June 2015 US\$	31 December 2015 US\$
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NOTE 9. ISSUED CAPITAL

ORDINARY SHARES

96,197,377 (31 December 2015: 96,197,377) fully paid ordinary shares	47,421,356	47,421,356
	47,421,356	47,421,356

MOVEMENTS IN ORDINARY SHARES

At the beginning of the period	47,421,356
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AT THE END OF THE FINANCIAL PERIOD

47,421,356

NOTE 10. SEGMENT INFORMATION

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

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

NOTE 11. EVENTS SUBSEQUENT TO BALANCE DATE

At the annual general meeting on 25 November 2014, the shareholders approved a total of 750,000 shares, with a deemed value of \$150,000 or \$0.20 per share, as incentive to director Stuart Smith to be issued over three years at 250,000 on 1st of February. On 4 July 2016, 250,000 ordinary shares were issued to Mr Smith being the second year's incentive issue due. The expense and liability was recognised as at 30 June 2016 for \$50,000.

On the same date 73,770 shares at \$0.061 per share were issued to a consultant in lieu of cash settlement.

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

NOTE 12. FINANCIAL INSTRUMENTS

Due to their short-term nature, the carrying amounts of the Group's financial assets and liabilities at 30 June 2016 was considered to approximate their fair value.

NOTE 13. RELATED PARTY TRANSACTIONS

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

To the members of Lion Energy Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Lion Energy Limited, which comprises the condensed statement of financial position as at 30 June 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration in the consolidated entity comprising the company and the entities it controlled at half-year end or from time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity ("ASRE 2410"), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Lion Energy Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

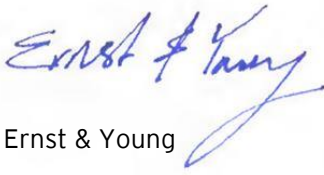
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 30 June 2016 financial report of Lion Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.



Ernst & Young



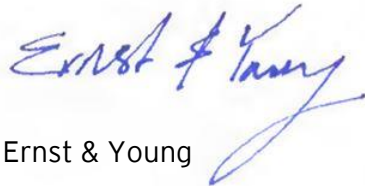
D A Hall
Partner
Perth
09 September 2016

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

As lead auditor for the review of Lion Energy Limited for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



D A Hall
Partner
09 September 2016