Annual Financial Report 2014

Lion Energy Limited
ABN 51 000 753 640

CORPORATE DIRECTORY

DIRECTORS:	Russell Brimage (Chairman) William (Kim) Morrison Stuart B. Smith Tom Soulsby Chris Newton
COMPANY SECRETARY:	Zane Lewis
ABN:	51 000 753 640
REGISTERED OFFICE:	Ground Floor, 15 Rheola St West Perth WA 6005, Australia Tel: +61 (8) 9211 1500 Fax: +61 (8) 9211 1501
AUDITORS:	**Grant Thornton Audit Pty Ltd** Level 1, 10 Kings Park Road West Perth WA 6005, Australia Tel: +61 (8) 9480 2000 Fax: +61 (8) 9322 7787
SHARE REGISTRY:	**Computershare Investor Services Pty Ltd** Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth WA 6840, Australia 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 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 30 June 2014. 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
William (Kim) Morrison (Appointed 10 January 2014)
Stuart B. Smith (Appointed 10 June 2014)
Tom Soulsby (Appointed 10 January 2014)
Chris Newton (Appointed 10 January 2014)
Weidong Zhang (Resigned 16 January 2014)
Simon Reeve (Resigned 16 January 2014)

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $2,204,042 (2013: $2,760,313).

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 30 June 2014.

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:

During the year the company completed a series of inter-related transactions, effectively transforming the company. In summary, the transactions involved:

- a $1.5 million convertible loan facility in favour of the Company from Risco Energy Investments Pte Ltd (“Risco”) (or its nominees) Tower Energy Indonesia Limited (“Tower”) (“Convertible Loan”), which was subsequently converted into 7,500,000 Lion shares;
- the consolidation of the company’s shares on a 1-for-8 basis;
- the acquisition by the company of the remaining 69.23% of shares in KRX Energy Pte Ltd not already owned (“KRX”) for 11,625,046 Lion shares, making it a wholly owned subsidiary;
- the acquisition by the company of all of the direct or indirect interests held by Risco (or its affiliates) in an area of mutual interest agreement (“AMI Agreement”) in respect of various unconventional oil and gas joint study applications in respect of onshore areas in Indonesia in consideration for the issue of 4,987,514 Lion shares;

- the acquisition of all of the direct or indirect interests held by Tower Energy Indonesia Limited ("Tower") (or its affiliates) arising from Tower's participating interests in the AMI Agreement in consideration for the issue of 4,275,012Shares
- raised $7.5 million from Risco and Tower pursuant to respective Placement Agreements, at $0.20/share;
- raised $2.0million from a public offer (including Risco participation) at $0.20/share;
- settled outstanding amounts owing by the company in return for the issue of 1,300,000 shares issued for $0.20 each and 541,667 free Class A Options
- 1,835,041 shares issued pursuant to the Listed Options Offer as consideration for the cancellation of 88,120,763 pre-consolidation options on the basis of 48 pre-consolidation options for every one post-consolidation ordinary share issued;
- The appointment by Risco of Mr Chris Newton and Mr Tom Soulsby as Non-executive Directors
- The appointment of Mr Kim Morrison as Managing Director & CEO of the company;
- The appointment of Mr Stuart Smith as Executive Director of the company, as a Risco nominee.

The above transactions are described in detail in the Replacement Prospectus dated 6 November 2013.

The capital structure of the Company following the Consolidation and issue of securities pursuant to the transactions was tabled as follows:

Ordinary Shares	**Number**
Shares on issue at the conclusion of the capital consolidation	16,001,016
Shares issued to the KRX Vendors under the KRX Share Acquisition	11,625,046
Shares issued to Risco Energy Unconventional Pte Ltd (REU) under the Risco Placement	30,000,000
Shares issued to REU under the Convertible Loan	5,625,000
Shares issued to REU under the AMI Acquisitions	4,987,514
Shares issued to Tower Energy Indonesia Limited (Tower) under the Tower Placement	7,500,000
Shares issued to Tower under the Convertible Loan	1,875,000
Shares issued to Tower under the AMI Acquisitions	4,275,012
Shares issued under the Public Offer	10,000,000
Shares issued under the Listed Option Offer	1,835,041
Shares issued under the Fee Payment	550,000
Shares issued under the Loan Repayments	750,000
Shares issued pursuant to the exercise of options expiring on 31 December 2013	5,748
Total Shares on issue	**95,029,377**

Unlisted Options exercisable at $0.26 expiring on 10 July 2015	**Number**
Unlisted Options issued to Tower under the Convertible Loan	781,250
Unlisted Options issued to REU under the Convertible Loan	2,343,750
Unlisted Options issued to Pouvoir Pty Ltd under the Fee Payment Agreement	229,167
Unlisted Options issued under the Loan Repayment Agreements	312,500
Total Options exercisable at $0.26 expiring on 10 July 2015	**3,666,667**
Unlisted Options exercisable at $0.26 expiring on 16 January 2017	
Unlisted Options issued to Halcyon pursuant to corporate advisory agreement	406,250
Total Options exercisable at $0.26 expiring on 16 January 2017	**406,250**

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

19/07/2013	Capital Restructure and Acquisitions
25/09/2013	Capital Restructure and Acquisitions
23/10/2013	Notice of AGM on 28-Nov-13
23/10/2013	Public Offer Prospectus Application Form
23/10/2013	Prospectus
05/11/2013	Notice of Shareholder Meeting on 12-Dec-13
06/11/2013	Revised Notice of Shareholder Meeting on 12-Dec-13
06/11/2013	Replacement Prospectus and offer form
18/11/2013	Option Expiry Notice
18/11/2013	Correction to Notice of General Meeting
28/11/2013	Timetable Clarification
28/11/2013	Meeting Results
10/12/2013	Correction to Notice of General Meeting
12/12/2013	Meeting Results
23/12/2013	Consolidation Results
13/01/2014	Completion of Various Prospectus Offers
16/01/2014	Appointment of New Directors and Completion of Offers
20/01/2014	Reinstatement to Official List and related announcements
21/01/2014	Successful Completion of Transactions and Raisings
10/06/2014	Appointment of Executive Director

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

SHAREHOLDING CHANGES

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

UNMARKETABLE PARCEL SALE FACILITY

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

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

ISSUE OF ADVISOR SHARES

On 19 August 2014, Lion announced that it had issued 214,096 ordinary shares to members of the advisory panel per the terms of their engagement, and also to some key consultants under separate agreements. Apart from conserving cash, Lion believes that including a share component builds a greater level of alignment with shareholders than usually seen with advisors/consultants.

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 Company, through its wholly owned subsidiaries, has submitted Joint Study Applications for potential oil and gas unconventional areas in onshore Indonesia covering a total area of about 17,334km^2 and continues efforts to secure the award of the Joint Studies. Whilst there can be no guarantee of outcome, the Company has expectations of one or more Joint Study awards by the end of calendar 2014.

ENVIRONMENTAL ISSUES

The Company's operations comply with all relevant environmental laws and regulations, and have not been subject to any actions by environmental regulators.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

RUSSELL ERNEST BRIMAGE
CHAIRMAN (EXECUTIVE)

Qualifications and Experience:

Mr Brimage has in excess of 40 years experience in the upstream oil and gas industry, in public listed Oil & Gas companies and the service industry, both onshore and offshore. In the service industry, founder and Managing Director of Oilserv Australia in 1982 – the company became a dominant service contractor providing contract field operations, testing and wire-line services, facility design and construction, drilling and work-over services. In the public company arena, demonstrated capability in capacity as CEO to secure and develop producing assets, often via industry counter-cyclical transactions, to transform companies from zero revenue to positive cash flow and profitability, with successful outcomes in Indonesia and the state and federal shallow waters of the US Gulf Coast. As CEO of 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:	None
Special Responsibilities:	Executive Chairman
Interest in shares and options of the Company:	4,428,329 Ordinary Shares and 229,167 options expiring 10 July 2015 exercisable at 26 cents each
Directors meetings attended:	8 of 8 held during term of directorship in financial year
Director since:	2005

DIRECTORS REPORT

WILLIAM KIM MORRISON
MANAGING DIRECTOR & CEO (EXECUTIVE)

Qualifications and Experience:

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

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

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	None
Special Responsibilities:	Managing Director and Chief Executive Officer (since 10 January 2014)
Interest in shares and options of the Company:	4,083,349 Ordinary Shares
Directors meetings attended:	2 of 2 held during term of directorship in financial year
Appointed:	10 January 2014

STUART BRUCE SMITH
DIRECTOR (EXECUTIVE)

Qualifications and Experience:

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

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

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

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

THOMAS LEO SOULSBY
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Tom is the CEO of Risco Energy Investments and has over 20 years' experience of the oil and gas and resources sector spanning investment banking, corporate business development and management/leadership roles.

A graduate of Swinburne and Monash Universities, he initially worked as an accountant, starting his career at KPMG and Western Mining. Tom then moved to Potter Warburg (now UBS) in Melbourne as an energy and resources equity research analyst. He subsequently joined ANZ in Melbourne, before being posted to Jakarta and ultimately Singapore as director of corporate finance and merchant banking. As a Director at Indonesian-listed Energi Mega Persada (EMP) from 2003 to 2008, he was responsible for the acquisition of assets which added 525 MMboe to EMP's 2P reserves – a key growth driver for the company.

Tom has been instrumental in securing backing for Risco prior to its incorporation in 2010, as well as growing the company and its capabilities in his role of Chief Executive Officer. Under Tom's leadership, Risco has participated in and funded over US$500m in successful transactions since 2010. He led the significant valuation creation, and subsequent monetisation, of Risco's first South East Asian oil and gas conventional and unconventional portfolio in 2013.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	None
Interest in shares and options of the Company:	Nil
Directors meetings attended:	2 of 2 held during term of directorship in financial year
Appointed:	10 January 2014

CHRISTOPHER BASIL NEWTON
DIRECTOR (NON-EXECUTIVE)

Qualifications and Experience:

Chris is director of business development and operations for Risco Energy Investments. In a career spanning 35 years in oil and gas he has covered the spectrum of exploration, development and production, developing core strengths in petroleum economics, strategic planning, business development and ultimately, top management.

A 1978 Geology graduate from Durham University, England, Chris also holds a Grad Dip in Applied Finance and Investment from the Securities Institute of Australia (SIA). He has spent more than 25 years in South East Asia in various industry capacities including Managing Director of Fletcher Challenge in Brunei, a stint as Managing Director of Shell Deepwater Borneo, President of Santos – Indonesia and CEO of Jakarta-listed oil and gas company, EMP. Along with Mr Soulsby, he was a co-founder director of Risco Energy in July 2010.

Chris was an active Director of the Indonesian Petroleum Association (IPA) between 2003 to 2008, including serving as President from 2004 to 2007. He remains an advisor to the IPA Board and is also the oil and gas advisor to the Jakarta based Castle Asia Group.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:	None
Interest in shares and options of the Company:	Nil
Directors meetings attended:	2 of 2 held during term of directorship in financial year
Appointed:	10 January 2014

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:	6 of 6 held during term of directorship in financial year
Resigned:	16 January 2014

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:	6 of 6 held during term of directorship in financial year
Resigned:	16 January 2014

ZANE LEWIS
COMPANY SECRETARY

Qualifications and Experience:

Mr Lewis has over 20 years' experience and leadership of small-cap multinational companies. His hands-on skillset includes corporate advisory roles at several ASX Listed and unlisted companies as well as extensive international experience managing a group of Software and Tech companies in USA, Europe, Hong Kong, China and Australia.

Mr Lewis is a member of Chartered Secretaries Australia and is a Non-Executive Director of GRP Group Limited (ASX: GRP) and Company Secretary / CFO for ASX Listed companies APAC Coal (ASX: AAL), Pilbara Minerals (ASX: PLS).

Appointed: 28 March 2014.

JACK TOBY
COMPANY SECRETARY

Qualifications and Experience:

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.

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.

Resigned: 28 March 2014.

DIRECTORS MEETINGS

During the year ended 30 June 2014, 8 meetings of directors were held. Previously and to date, due to the size of the company, there have been no board committees formed. However, it is the company's intention to form Audit and Remuneration & Nomination in the 2014/15 financial year.

REMUNERATION REPORT (AUDITED)

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

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial 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:

Russell Brimage	Executive Chairman
Kim Morrison	CEO and Managing Director
Stuart Smith	Executive Director
Christopher Newton	Non-Executive Director
Thomas Soulsby	Non-Executive Director
Weidong Zhang	Non-Executive Director (Resigned)
Simon Reeve	Non-Executive Director (Resigned)
Jack Toby	Company Secretary (Resigned)

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. For Non-Executive Directors these terms are set out in a Letter of Appointment. The major provisions of the agreements relating to remuneration are set out below.

Name	Base Salary	Term of Agreement	Notice Period
Russell Brimage	$100,000*	No fixed term	N/A
Kim Morrison	$240,000*	No fixed term	3 months
Stuart Smith	US$132,000	No fixed term	3 months
Christopher Newton	$nil	No fixed term	N/A
Thomas Soulsby	$nil	No fixed term	N/A
Weidong Zhang	$52,000	Resigned	N/A
Simon Reeve	$60,000	Resigned	N/A

* Plus statutory superannuation contributions

DETAILS OF REMUNERATION

	Short Term Benefits $	Super-annuation $	Compensation 2014 Share based payments $	Total $	Percentage at Risk
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.					
Russell Brimage	201,513	1,665	-	203,178	0%
Kim Morrison	120,377	10,434	-	130,811	0%
Stuart Smith	47,174	-	-	47,174	0%
Tom Soulsby	-	-	-	-	n/a
Chris Newton	-	-	-	-	n/a
Weidong Zhang	28,296	-	-	28,296	0%
Simon Reeve	32,630	-	-	32,630	0%
TOTAL COMPENSATION - DIRECTORS	429,990	12,099	-	442,089	
COMPENSATION OF OTHER KEY MANAGEMENT PERSONNEL BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.					
Jack Toby	105,000	-	-	105,000	0%
TOTAL COMPENSATION FOR OTHER KEY MANAGEMENT PERSONNEL	105,000	-	-	105,000	

	Short Term Benefits $	Compensation 2013 Super-annuation $	Total $	Percentage at Risk
COMPENSATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Russell Brimage	200,000[1]	-	200,000	0%
Weidong Zhang	52,000	-	52,000	0%
Simon Reeve	58,000	-	58,000	0%
TOTAL COMPENSATION - 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	0%
TOTAL COMPENSATION FOR OTHER KEY MANAGEMENT PERSONNEL	120,000	-	120,000	

1 - The Company provided Mr Brimage with 550,000 shares at $0.20 each and 229,167 free options expiring on 10 July 2015. This was to settle outstanding fees accrued and payable in respect of the 2013 financial year and included in short-term benefits for that year. The cost of the options issued has been taken to interest expense. There was no other equity compensation issued to directors or executives during the year ended 30 June 2014.

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

Note: short-term benefits represent salaries and/or fees paid to directors both in their capacity as employees and/or as consultants to the Company. There were no bonuses paid in 2013 or 2014.

The Company also reimburses validly incurred business expenses of directors.

SHARES AND OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	Number of Ordinary Shares				
	1 July 2013 or Appointment	**Impact of Consolidation**	**Issued as Compensation**	**Net Change Other**	**30 June 2014 or Resignation**
Russell Brimage	28,221,067	(24,693,434)	550,000	350,696	4,428,329
Kim Morrison	-	-	-	4,083,349	4,083,349
Stuart Smith	-	-	-	-	-
Christopher Newton	-	-	-	-	-
Thomas Soulsby	-	-	-	-	-
Weidong Zhang	-	-	-	-	-
Simon Reeve	-	-	-	-	-
Jack Toby	-	-	-	-	
	28,221,067	(24,693,434)	550,000	4,434,045	8,511,678

	Number of Options				
	1 July 2013 or Appointment	**Impact of Consolidation**	**Issued as Compensation**	**Net Change Other**	**30 June 2014 or Resignation**
Russell Brimage	16,833,333	(16,833,333)	-	229,167	229,167
Kim Morrison	-		-	-	-
Stuart Smith	-		-	-	-
Christopher Newton	-		-	-	-
Thomas Soulsby	-		-	-	-
Weidong Zhang	-		-	-	-
Simon Reeve	-		-	-	-
Jack Toby	4,635,000	(4,635,000)	-	-	-
	21,468,333	(21,468,333)	-	229,167	229,167

All options are vested and exercisable.

OTHER INFORMATION

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

A loan from Pourvoir Pty Ltd, a related party of Mr Russell Brimage, that was outstanding at 30 June 2013 was repaid during the year via the issue of Lion shares.

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

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

At the last AGM the shareholders voted to adopt the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration policies.

End of Audited Section

SHARE OPTIONS ISSUED AND OUTSTANDING

The following Options were issued on 10 January 2014 and remain outstanding as at 30 June 2014:

Unlisted Options exercisable at $0.26 expiring on 10 July 2015	**Number**
Unlisted Options issued to Tower under the Convertible Loan	781,250
Unlisted Options issued to REU under the Convertible Loan	2,343,750
Unlisted Options issued to Pouvoir Pty Ltd under the Fee Payment Agreement	229,167
Unlisted Options issued under the Loan Repayment Agreements: KKSH Holdings Ltd Mr Richard Charles Grigg	 104,167 208,333
Total Options exercisable at $0.26 expiring on 10 July 2015	**3,666,667**
Unlisted Options exercisable at $0.26 expiring on 16 January 2017	
Unlisted Options issued to Halcyon pursuant to corporate advisory agreement	406,250
Total Options exercisable at $0.26 expiring on 16 January 2017	**406,250**

No share options were issued subsequent to the year ended 30 June 2014.

SHARE OPTIONS EXERCISED

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

During the previous financial year ended 30 June 2013, 6,742,233 pre-consolidation 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 30 June 2014, no ordinary shares were issued by virtue of the exercise of options.

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of $12,350 (2013: $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

On 7 October 2011 the Company announced that, it had reached an agreement with Tulloch Lodge Limited (In Liquidation) ("Tulloch") to settle an action by Tulloch against the Company by payment to Tulloch of $737,500. These funds were paid and the settlement obligations of both parties completed. Lion subsequently issued instructions to its legal representatives to pursue recovery of the settled sum from office holders responsible for the conduct of the Company during the time the misappropriation of funds occurred. That action is still in progress. An attempt at mediation in November 2013 was unsuccessful; following the mediation failure, Lion instructed its legal advisors to continue pursuing recovery of the settled sum of $737,500.

Apart from the matter noted above, no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the 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 2014. 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 $11,550 (2013: $9,435) for the provision of tax compliance services.

Signed in accordance with a resolution of the directors.

Russell Brimage
Director
30 September 2014
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 2014 and of the performance for the year ended on that date of the Consolidated Entity;

   c) the remuneration report disclosures set out on pages 8 to 11 of the directors' report (as part of the Remuneration Report), for the year ended 30 June 2014, 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 295A 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

30 September 2014
Perth, Western Australia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Sales Revenue	3	2,233,711	2,164,888
Cost of goods sold		(1,278,698)	(3,086,448)
GROSS PROFIT / (LOSS)		**955,013**	**(921,560)**
Other operating income		-	-
Financing income	3	13,167	182,814
Administration expenses	3	(1,528,471)	(1,026,659)
Employee benefit expenses		(159,009)	(15,680)
Financing costs	3	(256,892)	(5,175)
Foreign exchange gains/(losses)		(959,353)	(589,745)
Share of losses of associates accounted for using the equity method	3	(167,949)	(301,110)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		**(2,103,494)**	**(2,677,115)**
Income tax expense	4	(100,548)	(83,198)
PROFIT/(LOSS) AFTER RELATED INCOME TAX EXPENSE		**(2,204,042)**	**(2,760,313)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		272,303	529,444
Income tax relating to components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		**272,303**	**529,444**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(1,931,739)**	**(2,230,869)**
EARNINGS/(LOSS) PER SHARE			
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	5	(1.95)	(2.32)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	5	(1.95)	(2.32)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated Entity 2014 $	Consolidated Entity 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19	6,168,400	121,607
Trade and other receivables	6	251,797	588,096
Inventories	7	349,206	453,821
TOTAL CURRENT ASSETS		**6,769,403**	**1,163,524**
NON-CURRENT ASSETS			
Plant and equipment	8	24,283	29,824
Receivables	9	139,346	829,700
Capitalised exploration and development expenditure	10	8,109,191	-
Investments in associates	11	-	698,890
TOTAL NON-CURRENT ASSETS		**8,272,820**	**1,558,414**
TOTAL ASSETS		**15,042,223**	**2,721,938**
CURRENT LIABILITIES			
Trade and other payables	13	937,876	706,432
Borrowings	14	-	1,052,433
TOTAL CURRENT LIABILITIES		**937,876**	**1,758,865**
NON-CURRENT LIABILITIES			
Provision for deferred income tax	15	831,608	745,972
TOTAL NON-CURRENT LIABILITIES		**831,608**	**745,972**
TOTAL LIABILITIES		**1,769,484**	**2,504,837**
NET ASSETS		**13,272,739**	**217,101**
EQUITY			
Issued capital	16	64,699,795	49,985,068
Reserves	17	64,992	(479,961)
Accumulated losses		(51,492,048)	(49,288,006)
TOTAL EQUITY		**13,272,739**	**217,101**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Entity 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,569,257	1,777,284
Payments to suppliers & employees		(2,697,206)	(831,217)
Interest received		10,434	2,814
NET CASH FROM OPERATING ACTIVITIES	19	**(117,515)**	**948,881**
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and development expenditure		(3,229,970)	(2,325,079)
Purchase of investment in associated entity		-	(580,000)
Loans to associated entities		-	(829,700)
NET CASH USED IN INVESTING ACTIVITIES		**(3,229,970)**	**(3,734,779)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		9,501,380	419,701
Capital raising expenses		(684,939)	(10,200)
Proceeds from borrowings		577,837	1,049,700
Loan recovered previously provided for non-recovery		-	180,000
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**9,394,278**	**1,639,201**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,046,793**	**(1,146,697)**
Net foreign exchange differences		-	(6,395)
Cash and cash equivalents at beginning of year		121,607	1,274,699
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**6,168,400**	**121,607**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED ENTITY

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Other Comprehensive income $	Accumulated Losses $	Total Equity $
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)**
Transactions with owners:					
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**
Currency translation differences	-	-	272,303	-	272,303
Profit/(Loss) for period	-	-		(2,204,042)	(2,204,042)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**-**	**-**	**272,303**	**(2,204,042)**	**(1,931,739)**
Securities issued	15,438,894	-	-	-	15,438,894
Share based payments	-	272,650	-	-	272,650
Equity raising costs	(724,167)	-	-	-	(724,167)
AT 30 JUNE 2014	**64,699,795**	**382,958**	**(317,966)**	**(51,492,048)**	**13,272,739**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation of Accounts

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board. The company is a For-Profit entity for the purpose of preparing these financial statements.

The financial report has been prepared on an accruals basis and is based on a historical cost basis, except for any available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is 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.

New and Revised Standards that are effect for these Financial Statements

The AASB has issued a number of new and revised Accounting Standards and Interpretations are effective for annual periods beginning or after 1 July 2013. These new and revised standards are:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurements
- Amendments to AASB 119 Employee Benefits

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

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

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

- AASB 9 Financial Instruments
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

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

Summary of Significant Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Entity and its subsidiaries as at and for the period ended 30 June each year. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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

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

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

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

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

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

The functional 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 reporting date and the statement of profit or loss and other comprehensive income items 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 statement of profit or loss and other comprehensive income.

The functional currencies of the entities in the Group have remained unchanged during the reporting period.

c) Taxes

Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss.

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 statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

f) Revenue recognition

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

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 Statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

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 reporting 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.

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 statement of profit or loss and other comprehensive income. 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 crude oil inventories includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to production activities.

p) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out below. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key Estimates - Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Equity settled transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of ordinary shares is determined with reference to the Company's share price on the ASX. The Group measures the fair value of options at the grant date using a Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

q) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area; or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

r) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). There is currently a Employee Share Option Plan (ESOP) in place to provide these benefits, which provides benefits to directors and executives. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (‘market conditions’). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

s) Earnings per share

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

t) Interests in Associates

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

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

u) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of the joint operations are included in the respective line items of the financial statements. Information about the joint arrangements is set out in Note 25.

All of the Group's current joint arrangements are treated as joint operations.

v) Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

NOTE 2. GLOSSARY

The following abbreviations are used throughout this report:

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

	Consolidated Entity	
	2014	2013
	$	$

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:

	2014 $	2013 $
REVENUE		
Oil sales	2,233,711	2,164,888
Finance income:		
Interest receivable from other persons	13,167	2,814
Loan recovered previously provided for non-recovery	-	180,000
	13,167	182,814
SHARE OF LOSSES OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		
Share of loss – associated companies (Refer note 11)	167,949	301,110
BREAKDOWN OF EXPENSES		
Cost of goods sold:		
Production costs	759,110	1,020,523
Depreciation, Depletion & Amortisation	519,588	2,065,925
	1,278,698	3,086,448
Administration expenses:		
Depreciation	4,323	4,787
Remuneration - Consultants	450,781	442,443
Legal expenses	255,595	216,637
Professional fees	568,688	201,815
Rental costs	48,848	39,853
Cost of share based payments	-	5,000
Travel	32,632	55,854
Other administration expenses	167,604	60,270
	1,528,471	1,026,659
Finance Costs:		
Interest expense	256,892	5,175

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:

	2014 $	2013 $
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(2,103,494)	(2,760,313)
Prima facie income tax expense/(benefit) on operating loss calculated at 30%	(631,048)	(828,094)
Non-deductible expenses	293,940	65,929
Impairment of receivables		227,420
Attribution of income		-
Difference of effective foreign income tax rates	(150,606)	380,330
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	588,263	237,613
INCOME TAX EXPENSE FROM CONTINUING OPERATIONS	100,548	83,198

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
UNRECOGNISED DEFERRED TAX BALANCES		
Unrecognised deferred tax asset – temporary differences	25,897	32,003
Unrecognised deferred tax asset – revenue losses	7,130,147	6,529,119
Unrecognised deferred tax asset – capital losses	597,040	571,130
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	7,753,084	7,132,252

NOTE 5. EARNINGS PER SHARE

	2014 $	2013 $
Both basic and diluted EPS have been calculated using the following variables:		
Profit/(Loss) used in the calculation of basic/diluted EPS	(2,204,042)	(2,760,313)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic/diluted earnings per share	113,287,566	118,825,398

NOTE 6. TRADE AND OTHER RECEIVABLES (CURRENT)

	2014 $	2013 $
Trade debtors	52,058	387,604
Other debtors and prepayments	199,739	200,492
	251,797	588,096

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

NOTE 7. INVENTORIES

	2014 $	2013 $
Oil stock at cost	69,480	116,582
Joint operations materials (at cost)	279,726	337,239
	349,206	453,821

NOTE 8. PLANT AND EQUIPMENT

	2014 $	2013 $
PLANT AND EQUIPMENT		
At cost	266,413	248,521
Accumulated depreciation	(242,130)	(218,697)
TOTAL PLANT AND EQUIPMENT	24,283	29,824

MOVEMENTS IN THE CARRYING AMOUNT OF PLANT AND EQUIPMENT

	2014 $	2013 $
PLANT AND EQUIPMENT		
At the beginning of the financial year	29,824	35,092
Additions	-	-
Depreciation expense	(4,323)	(4,787)
Currency exchange adjustment	(1,218)	(481)
TOTAL PLANT AND EQUIPMENT	24,283	29,824

NOTE 9. TRADE AND OTHER RECEIVABLES (NON CURRENT)

Loan to associated company, KRX Energy Pte Ltd	-	829,700
Performance bond collateral	139,346	-
	139,346	829,700

The loan to KRX Energy Pte Ltd is non-interest bearing and repayable on demand. In 2013, 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. During 2014 the Company acquired the remaining equity in KRX Energy Pte Ltd, which is now a wholly owned subsidiary, hence in the current year the loan balance is eliminated on consolidation.

NOTE 10. CAPITALISED EXPLORATION AND DEVELOPMENT EXPENDITURE

Capitalised exploration expenditure	7,641,479	
Capitalised development expenditure	467,712	
TOTAL	8,109,191	-

MOVEMENTS IN THE CARRYING AMOUNT OF CAPITALISED EXPLORATION AND DEVELOPMENT EXPENDITURE

At the beginning of the financial year	-	882,708
Exploration acquired from subsidiary acquisition (refer Note 12)	5,057,251	-
Expenditure during the year	3,571,528	1,169,200
Depreciation, Depletion & Amortisation	(519,588)	(2,065,925)
Currency exchange adjustment	-	14,017
AT THE END OF THE FINANCIAL YEAR	8,109,191	-

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:

On the 10th January 2014, the parent entity acquired a further 69.23% interest in KRX Energy Pte Ltd, which resulted in Lion Energy Limited gaining control of the company. As such KRX Energy Pte Ltd is a controlled entity rather than an associate and therefore, the Group's share of the reserves and operating profit has not been included in the results of the associated companies for 2014. At the time of the acquisition, the Group had recognised $167,949 as its share of the losses of the associate. Refer Note 12 for information in relation to the acquisition.

	Consolidated Entity Percentage Interests	
	2014	**2013**
	%	**%**
KRX Energy Pte Ltd (incorporated in Singapore)	-	30.77%

	Consolidated Entity	
	2014	**2013**
	$	**$**
Investment in associate KRX Energy Pte Ltd	-	1,000,000
Share of losses of associates accounted for using the equity method	-	(301,110)
	-	698,890
MOVEMENTS IN THE CARRYING AMOUNT OF INVESTMENTS IN ASSOCIATES		
At the beginning of the financial year	698,890	420,000
Investment expenditure during the year	-	580,000
Share of losses of associates accounted for using the equity method	(167,949)	(301,110)
Amount taken to acquisition of KRX Energy Pte Ltd (refer Note 12)	(530,941)	-
AT THE END OF THE FINANCIAL YEAR	-	698,890
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	(167,949)	(301,110)
PROFIT/(LOSS) BEFORE INCOME TAX	(167,949)	(301,110)
Income tax expense	-	-
PROFIT/(LOSS) AFTER INCOME TAX	(167,949)	(301,110)

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

NOTE 12. ASSET ACQUISITION

On 10 January 2014, the Company acquired the 69.23% of KRX Energy Pte Ltd ("KRX") that it did not already own, in return for the issue of 11,625,046 new fully paid ordinary Lion shares to the former KRX shareholders. As a result KRX became a wholly owned subsidiary of the company and KRX Energy (SBA) Pte Ltd became an indirect wholly owned subsidiary. The transaction was accounted for as an asset acquisition.

The principal assets of the KRX group are a 35% interest in the South Block A PSC and a 35% interest in an Area of Mutual Interest Agreement that gives the company certain rights to apply for unconventional joint studies with the Government of Indonesia.

	Note	Fair Value
		$
Purchase consideration:		
– shares issued (11,625,046 at $0.20/share)	15	2,325,009
– previously held 30.77% equity interest (i)		530,941
TOTAL CONSIDERATION		**2,855,950**

	Fair Value
Allocated to the following:	
Cash	211,689
Other receivables	268,898
Property, Plant and Equipment	1,744
Other receivables - Non Current	49,930
Capitalised exploration and evaluation expenditure	5,057,251
Payables	(1,434,590)
Borrowings(ii)	(1,298,972)
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	**2,855,950**

(i) The Group previously held a 30.77% equity interest in KRX Energy Pte Ltd prior to the acquisition date. Upon remeasuring that equity interest to fair value, a loss of $167,949 has been recognised. This loss has been recognised in the gain on revaluation of investment in associate in profit or loss.

(ii) Borrowings were to Lion Energy Limited, which are now eliminated upon consolidation.

Revenue of KRX Energy Pte Ltd included in the consolidated revenue of the Group since the acquisition date on 10th January 2014 was negligible. Loss of KRX Energy Pte Ltd included in consolidated loss of the Group since the acquisition date amounted to $54,912.

Had the results of KRX Energy Pte Ltd been consolidated from 1 July 2013, revenue of the consolidated group would have been $2,246,951 and consolidated profit would have been $1,745,034 for the year ended 30 June 2014.

A complete list of controlled entities can be found at Note 23.

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
NOTE 13. TRADE AND OTHER PAYABLES (CURRENT)		
Sundry creditors and accrued expenses	290,296	254,230
Share of Joint Operations payables	647,580	452,202
	937,876	706,432
NOTE 14. BORROWINGS (CURRENT)		
Borrowings from unrelated parties	-	402,733
Borrowings from Risco Energy Investments Pte Ltd	-	649,700
	-	1,052,433
NOTE 15. PROVISION FOR DEFERRED INCOME TAX		
Provision for deferred income tax	831,608	745,972
	831,608	745,972

Provision for deferred income tax relates to tax potentially payable by the Group on its share of First Tranche Petroleum which has already been received from Seram project production. Such tax will only be payable in the event that the contractors exhaust the pool of sunk costs prior to expiry of the PSC.

NOTE 16. ISSUED CAPITAL

	2014 $	2013 $
95,029,377 (2013: 128,004,729) fully paid ordinary shares	64,699,795	49,985,068

MOVEMENTS IN ISSUED CAPITAL

	Shares 2014	Shares 2013	2014 $	2013 $
At the beginning of the period	128,004,729	115,450,789	49,985,068	49,575,567
Issued on 18 December 2012		1,572,520	-	47,434
Issued on 21 February 2013		1,572,520	-	90,000
Issued on 28 February 2013		5,666,667	-	170,000
Issued on 21 March 2013		2,666,667	-	80,000
Issued on 11 April 2013		1,075,566	-	32,267
Consolidated on a 1:8 basis on 20 Dec 2013	(112,003,713)		-	-
Issued on 13 January 2014	69,028,361		13,438,894	-
Issued on 17 January 2014	10,000,000		2,000,000	-
Share issue expenses			(724,167)	(10,200)
AT THE END OF THE FINANCIAL YEAR	**95,029,377**	**128,004,729**	**64,699,795**	**49,985,068**

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

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

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

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	
	2014 $	2013 $
NOTE 17. RESERVES		
Option premium reserve	382,958	110,308
Currency translation reserve	(317,966)	(590,269)
	64,992	(479,961)
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the financial year	110,308	105,308
5,000,000 options issued on 26 March 2013	-	5,000
3,666,667 options issued on 13 January 2014	233,567	-
406,250 options issued on 17 January 2014	39,083	-
		-
AT THE END OF THE FINANCIAL YEAR	382,958	110,308
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the financial year	(590,269)	(1,119,713)
Consolidation adjustment for the year	272,303	529,444
AT THE END OF THE FINANCIAL YEAR	(317,966)	(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 17 January 2014, the Company issued free unlisted options. These options were valued using the Black Scholes model and based on the following variables:

Number of options	406,250	3,666,667
Exercise price:	$0.26	$0.26
Valuation date:	17 January 2014	17 January 2014
Expiry date:	16 January 2017	7 October 2015
Market price of shares at grant date:	$0.20	$0.20
Expected share price volatility:	82%	82%
Risk free interest rate:	3.25%	3.25%
Valuation per option:	9.66 cents	6.37 cents

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

NOTE 18. PARENT ENTITY

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

	Company 2014 $	Company 2013 $
CURRENT ASSETS		
Cash and cash equivalents	5,746,328	119,933
Trade and other receivables	(3,664)	27,477
TOTAL CURRENT ASSETS	**5,742,664**	**147,410**
NON-CURRENT ASSETS		
Plant and equipment	12,177	16,500
Receivables	-	829,700
Investments in associates	-	698,890
Investments in subsidiaries	2,916,436	60,486
Loans to subsidiaries	5,278,401	-
TOTAL NON-CURRENT ASSETS	**8,207,014**	**1,605,576**
TOTAL ASSETS	**13,949,678**	**1,752,986**
CURRENT LIABILITIES		
Trade and other payables	285,762	254,230
Borrowings	-	1,052,433
Amounts owing to subsidiaries	7,014,634	6,113,950
TOTAL CURRENT LIABILITIES	**7,300,396**	**7,420,613**
TOTAL LIABILITIES	**7,300,396**	**7,420,613**
NET ASSETS	**6,649,282**	**(5,667,627)**

	Company 2014 $	Company 2013 $
EQUITY		
Issued capital	64,699,795	49,985,068
Option premium reserve	382,958	110,308
Accumulated losses	(58,433,471)	(55,763,003)
TOTAL EQUITY	**6,649,282**	**(5,667,627)**
FINANCIAL INFORMATION ON THE PARENT ENTITY FOR THE FINANCIAL YEAR:		
Profit/(loss) after related income tax expense	(2,670,467)	(1,706,737)
Other comprehensive income	-	
TOTAL COMPREHENSIVE INCOME	**(2,670,467)**	**(1,706,737)**

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

NOTE 19. CASH FLOW INFORMATION

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX		
Profit/(loss) after tax	(2,204,042)	(2,760,313)
Cash flows in loss attributable to non-operating activities		
Exploration and evaluation expenditure	-	1,020,523
Loan recovered previously provided for non-recovery	-	180,000
Non-cash flow items in loss		
Depreciation of plant and equipment	4,323	4,787
Foreign exchange	258,609	589,745
Depreciation, Depletion & Amortisation of development expenditure	519,588	2,065,925
Share of losses of associates	167,949	301,110
Share/option based payments	233,422	5,000
Interest payable added to loan balance	20,737	2,733
Changes in assets and liabilities		
Decrease/(increase) in trade debtors	440,161	(387,604)
Decrease/(increase) in other debtors and prepayments	753	(7,024)
Increase/(decrease) in other creditors and accruals	340,437	210,801
Increase/(decrease) in provision for deferred income tax	100,548	83,198
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(117,515)	948,881

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
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	5,772,862	121,607
Share of joint operations cash	395,538	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6,168,400	121,607

NON-CASH FINANCING AND INVESTING ACTIVITIES

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

- 7,500,000 shares at $0.20 and 3,125,000 free attaching options that exercise at $0.26 per option and expire on 10 July 2015 were issued to convert outstanding convertible notes.
- 11,625,046 shares at $0.20 were issued to acquire KRX Energy Pte Ltd as outlined in Note 12.
- 4,987,514 shares at $0.20 were issued for the acquisition of AMI interests pursuant to the Tower AMI withdrawal agreement.
- 4,275,012 shares at $0.20 were issued for the acquisition of AMI interests pursuant to the Risco AMI withdrawal agreement
- 550,000 shares at $0.20 and 229,167 free attaching options that exercise at $0.26 per option and expire on 10 July 2015 were issued pursuant to the Pouvoir Fee Payment Agreement.
- 750,000 shares at $0.20 and 312,500 free attaching options that exercise at $0.26 per option and expire on 10 July 2015 were issued to convert unrelated party borrowings.
- 1,835,041 shares at $0.20 were issued upon cancellation of existing $0.03 options that expired 31 December 2013.

There were no non-cash financing or investing activities during the previous financial year.

NOTE 20. EXPENDITURE COMMITMENTS

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
OPERATING LEASE COMMITMENTS		
Non-Cancellable capital expenditure commitments contracted for but not capitalised in the accounts:		
Payable		
not later than one year	6,296	6,296
later than 1 year but not later than 5 years	-	-
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	6,296	6,296

EXPLORATION COMMITMENTS

The Group has exploration commitments pursuant to its Production Sharing Contracts with the Government of Indonesia. At year end these totalled US$1,050,000 net to the company (2013: Nil). The Group has indirectly, through a joint venture partner, provided a security bond of US$131,250 in respect of this commitment.

NOTE 21. AUDITORS' REMUNERATION

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	46,540	40,196
Other services	11,550	9,435
	58,090	49,631

NOTE 22. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Short term employee benefits	534,990	430,000
Post employment benefits	12,099	—
	547,089	430,000

NOTE 23. 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. In the previous reporting financial year, these activities were managed on a Group structure basis. Operating segments were therefore determined on the same basis. In the prior year, Lion International Investment Limited ("LII") was a separate segment as it was the sole vehicle through which the Group participated in energy activities in Asia. The revenue of LII was predominantly derived from oil and gas activities. In the current year, given the acquisition of KRX Energy Pty Ltd and its interest in the South Block A JV, segments have been revised to reflect the updated financial reporting on a geographical basis, comprising both Indonesia projects.

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 2014			Year to 30 June 2013		
	Indonesian Upstream $	**Unallocated $**	**Total $**	**Lion International Investments Limited and its subsidiaries $**	**Other Group Entities $**	**Total $**
SEGMENT PERFORMANCE						
External revenue	2,233,711	13,167	2,246,878	2,164,888	182,814	2,347,702
Other external income	-	-	-	—	—	—
TOTAL SEGMENT REVENUE	2,233,711	13,167	2,246,878	2,164,888	182,814	2,347,702
Segment net profit/(loss) after tax	781,213	(2,985,255)		(1,024,509)	(1,735,804)	
NET PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS			(2,204,042)			(2,760,313)

	30 June 2014			30 June 2013		
	Indonesian Upstream $	**Unallocated $**	**Total $**	**Lion International Investments Limited and its subsidiaries $**	**Other Group Entities $**	**Total $**
SEGMENT ASSETS						
Segment assets	8,009,897	7,032,325		1,027,764	1,694,174	
TOTAL ASSETS FROM CONTINUING OPERATIONS			15,042,222			2,721,938

	30 June 2014			30 June 2013		
	Indonesian Upstream $	**Corporate $**	**Total $**	**Lion International Investments Limited and its subsidiaries $**	**Other Group Entities $**	**Total $**
SEGMENT LIABILITIES						
Segment liabilities	1,483,722	285,762		1,198,174	1,306,663	
TOTAL LIABILITIES FROM CONTINUING OPERATIONS			1,769,484			2,504,837

Revenue by Geographical Region

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

	Year to 30 June 2014 $	Year to 30 June 2013 $
Australia	13,167	24,920
Asia	2,233,711	2,031,192
USA	-	-
	2,246,878	2,056,112

Assets by Geographical Region

The location of non-current assets is disclosed below by the geographical location of the assets.

	30 June 2014 $	30 June 2013 $
Australia	12,177	29,824
Asia	8,260,643	1,528,590
USA	0	0
Total Non-current Assets	8,272,820	1,558,414

Major Customers

The Group's share of crude oil from its Indonesian production items is sold via an open tender each time a lifting is made, therefore it is not exposed to any major customer.

NOTE 24. CONTROLLED ENTITIES

	Country of Incorporation	Principal Activity	Group Ownership Interest 2014 %	Group Ownership Interest 2013 %
Parent Entity				
Lion Energy Limited	Australia	Holding Company		
Entities controlled by Lion Energy Limited				
Lion International Investment Limited	Cayman Islands	Oil & gas exploration and production	100%	100%
Lion Energy Limited USA, Inc	USA	Holding Company	100%*	100%
KRX Energy Pte Ltd	Singapore	Holding Company	100%	30.77%
Entities controlled by KRX Energy Pte Ltd				
KRX Energy (SBA) Pte Ltd	Singapore	Oil & gas exploration	100%	Nil
Entities controlled by Lion Energy Limited USA, Inc				
Lion USA LLC	USA	Dormant	100%	100%

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

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

The functional currency of Lion Energy Limited is Australian Dollars ($) and the functional currency of all other controlled entities of Lion Energy Limited is United States Dollars (US$).

NOTE 25. JOINT ARRANGEMENTS

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

Name of the Joint Operation	Principal Place of Business	Principal Activity	Proportion of Ownership Interests Held by the Group	
			30 June 14	30 June 13
Seram (Non-Bula) Joint Operation	Indonesia	Exploration and development	2.5%	2.5%
South Block A Joint Operation	Indonesia	Exploration and development	35%	-

NOTE 26. CONTINGENT LIABILITIES

As at 30 June 2014 the Group has no contingent liabilities.

NOTE 27. 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 28. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries, which arise directly from its operations. The Group's policy is that no trading in financial instruments shall be undertaken. The main purpose of non-derivative financial instruments is to finance Group operations. Derivatives are not used by the Group and the Group does not speculate in the trading of derivative instruments.

Treasury Risk Management

The Board considers the Group's financial risk exposure and treasury management strategies in the context of the Group's operations. The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. The Board reviews each of these risks on an on-going basis.

Interest rate risk

The Company has a policy of minimising its exposure to interest payable on debt. The Group has no debt that requires the payment of interest.

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

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group also exposed to fluctuations in foreign currencies arising from deposits with banks denominated in foreign currencies. The Group does not seek to hedge this exposure as it keeps the bulk of its cash reserves in US Dollars, being the currency in which most of its joint venture costs are denominated.

LIQUIDITY RISK

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are available.

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There are no material amounts of collateral held as security at 30 June 2014. 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 2014 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 share of oil sales from the Seram joint operation. The Group does not currently hedge the price at which it sells oil.

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

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

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
TRADE AND OTHER RECEIVABLES ARE EXPECTED TO BE RECEIVED AS FOLLOWS:		
Less than 6 months	251,797	588,096
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	251,797	588,096
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:		
Less than 6 months	937,876	706,432
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	937,876	706,432

FAIR VALUES

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

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2014 $	AGGREGATE FAIR VALUE 2014 $	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2013 $	AGGREGATE FAIR VALUE 2013 $
Financial Assets				
Cash assets	6,168,400	6,168,400	121,607	121,607
Receivables	251,797	251,797	588,096	588,096
Financial Liabilities				
Payables	937,876	937,876	706,432	706,432

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

Cash assets and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value. The Group does not carry any financial instruments at 30 June 2014.

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

SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

INTEREST RATE SENSITIVITY ANALYSIS

At 30 June 2014, 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 2014 $	Consolidated Entity 2013 $
CHANGE IN PROFIT DUE TO:		
Increase in interest rate by 2%	62,900	9,268
Decrease in interest rate by 2%	(62,900)	(2,814)
CHANGE IN EQUITY DUE TO:		
Increase in interest rate by 2%	62,900	9,268
Decrease in interest rate by 2%	(62,900)	(2,814)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2014, the effect on profit and equity as a result of changes in the exchange rate, with all other variables remaining constant would be as follows:

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
CHANGE IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	(103,403)	(376,131)
Decline in AUD to USD by 5%	103,403	340,311
CHANGE IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	(36,037)	(8,858)
Decline in AUD to USD by 5%	36,037	8,018

NOTE 29. RELATED PARTY TRANSACTIONS

The Company is controlled by Risco Energy Unconventional Pte Ltd, which as at the date of this report holds 55.16% of the issued ordinary shares of the Company. Risco also has the right to appoint three of the five directors of the Company.

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

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

At 30 June 2014, directors and their related entities held directly, indirectly or beneficially 8,511,678 ordinary shares and 229,167 options expiring 10 July 2014 and exercisable at 26 cents each in the Company.

NOTE 30. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 31. EVENTS SUBSEQUENT TO REPORTING DATE

SHAREHOLDING CHANGES

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

UNMARKETABLE PARCEL SALE FACILITY

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

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

ISSUE OF ADVISOR SHARES

On 19 August 2014, Lion announced that it had issued 214,096 ordinary shares to members of the advisory panel per the terms of their engagement, and also to some key consultants under separate agreements. Apart from conserving cash, Lion believes that including a share component builds a greater level of alignment with shareholders than usually seen with advisors/consultants.

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.

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

Report on the financial report

We have audited the accompanying financial report of Lion Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 2014 and of its performance for the year ended on that date;

   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.

Report on the remuneration report

We have audited the remuneration report included in pages 8 to 11 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 30 September 2014

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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 2014, 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
Partner - Audit & Assurance

Perth, 30 September 2014

ADDITIONAL INFORMATION AS AT 19 SEPTEMBER 2014

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares	26 cent unlisted options expiring 16 January 2017 Escrowed until 17/1/2016	26 cent unlisted options expiring 10 July 2015, Escrowed until 10 July 2016	26 cent unlisted options expiring 10 July 2015, Escrowed until 10 July 2015
1 — 1,000	166			
1,001 — 5,000	72			
5,001 — 10,000	173			
10,001 — 100,000	95			
100,001 — and over	51	1	4	1
Total number of holders	557	1	4	1
Holdings of less than a marketable parcel	188	N/A	N/A	N/A

REGISTERED OFFICE OF THE COMPANY

Ground Floor
15 Rheola St
West Perth
Western Australia 6005

Tel: +61 (8) 9221 1500
Fax: +61 (8) 9221 1501

STOCK EXCHANGE LISTING

Quotation has been granted for 73,805,901 ordinary shares and on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Lion Energy Limited.

There are 15,625,049 ordinary shares that are subject to escrow until 17/1/2016 and 5,812,523 ordinary shares subject to escrow until 10/1/2015 and are not listed on any stock exchange.

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

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

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

SHARE REGISTRY

The registers of shares and options of the Company are maintained by:-

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 (8) 9323 2000
Fax: +61 (8) 9323 2033

COMPANY SECRETARY

The name of the company secretary is Zane Lewis.

TAXATION STATUS

Lion Energy Limited is taxed as a public company.

ADDITIONAL INFORMATION AS AT 19 SEPTEMBER 2014

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Registered Holder	Number of Shares	Percentage of Total
RISCO ENERGY UNCONVENTIONAL PTE LTD	52,535,357	55.16%
TOWER ENERGY INDONESIA LIMITED	4,275,012	4.49%
JUNGAR HOLDINGS PTY LTD <THE WHYTE SUPER FUND A/C>	3,937,515	4.13%
W & N MORRISON INVESTMENTS PTY LTD <THE MORRISON FAMILY A/C>	3,937,515	4.13%
EMMANUEL CAPITAL PTY LTD	2,500,000	2.62%
POUVOIR PTY LTD <BRIMAGE SUPER FUND A/C>	4,869,792	5.11%
KKSH HOLDINGS LTD	3,854,835	4.05%
TOWER ENERGY INDONESIA LTD	1,532,785	1.61%
F & Y DAVIES SUPER PTY LTD <R & Y DAVIES SUPER FUND A/C>	1,068,916	1.12%
MR KENNETH JOHN BULL	937,504	0.98%
MR ROBERT FRANCIS DAVIES <THE R AND Y DAVIES SUPERFUND A>	937,504	0.98%
MR JOHN JANSEN + MRS DALE LORRAINE JANSEN <JJ RETIREMENT FUND A/C>	736,785	0.77%
MR RICHARD CHARLES GRIGG	600,695	0.63%
CLAVERDON (VIC) PTY LTD <FAIRWAY UNIT A/C>	500,000	0.52%
MR GERRY MASTERS <G & S MASTERS S/FUND A/C>	500,000	0.52%
LION ENERGY LIMITED <SMALL HOLDER FACILITY A/C	490,263	0.51%
MR KENNETH BULL	423,003	0.44%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	403,533	0.42%
MR JUSTIN JAMES HILTON WALTA	403,003	0.42%
ZAPAC PTY LTD	396,441	0.42%
ALL OTHER SHAREHOLDERS	10,403,015	10.92%
Total	95,243,473	100.00%

HOLDERS OF GREATER THAN 20% OF UNQUOTED ORDINARY SHARES

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

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

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

TWENTY LARGEST HOLDERS OF 26 CENT UNLISTED OPTIONS EXPIRING 10 JULY 2015, ESCROWED UNTIL 10 JULY 2016

	Number of Options	Percentage of Total
Risco Energy Unconventional Pte Ltd	2,343,750	67.77%
Tower Energy Indonesia Limited	781,250	22.59%
Purvoir Pty Ltd <Brimage Super Fund A/C>	229,167	6.62%
KKSH Holdings Ltd	104,167	3.01%
Total	3,458,334	100%

TWENTY LARGEST HOLDERS OF 26 CENT UNLISTED OPTIONS EXPIRING 10 JULY 2015, ESCROWED UNTIL 10 JULY 2015

	Number of Options	Percentage of Total
Mr Richard Charles Grigg	208,333	100%
Total	208,333	100%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
18/7/2014	Risco Energy Pte Ltd	52,535,357
17/72014	Tower Energy	5,807,797

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects. The Group believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 12 March 2010.

OIL & GAS TENEMENTS

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

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND RECOMMENDATIONS

INTRODUCTION

The Board has adopted and approved the following Corporate Governance Statements, which are in effect as of the 19th of September 2014.

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 2014 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 2014.

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.

No board members meet these criteria. Consequently, the Board does not have 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 Newton, Mr Soulsby and Mr Morrison were appointed on 16 January 2014. Mr Smith was appointed on 10 June 2014.

The Chief Executive Officer of the Company is the Mr Kim Morrison.

A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2014 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:

Statement of financial position 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 statement of financial position 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.

In determining candidates for the Board, the Board follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

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:

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.
- 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.

ADDITIONAL INFORMATION AS AT 19 SEPTEMBER 2014

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.4	A separate Nomination Committee has not been formed.	The Board comprises five 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.
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.