**LOCHARD ENERGY GROUP PLC**

**HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**27 February 2013**

**Lochard Energy Group Plc**
**("Lochard" or the "Company")**

**Half-yearly financial report for the six months ended**
**31 December 2012**

I am pleased to submit Lochard's interim report covering the six months ended 31 December 2012 and beyond.

## Introduction

At the date of writing our source of income from Athena appears robust and our unfunded drilling commitments have been dealt with. Additionally, debts are being paid down, with the final payment to Senergy having been completed in February, costs have been significantly reduced and the search for a merger partner has gathered momentum in recent weeks.

## Asset portfolio

### *Athena*

The single most important development during the period under review was the continuing production from Athena.

Lochard has a 10% interest in this North Sea field and production from it is currently the Group's only source of income. It was therefore vital to keep it in production throughout the period.

During the period under review the Athena consortium conducted limited remedial work on one of the problem wells, which improved rates, but the Joint Venture consortium concluded that a major work-over was not warranted.

Recent production has been at 10,800 – 11,000 bopd gross (1,080 – 1,100 net to Lochard) levels and to date there has been effective reservoir maintenance and no water breakthrough, which is a positive indicator for future production performance.

The oil is sold to BP in an arrangement organised by Athena's operator. During the period under review some 2,070,061 bbls were produced and delivered to the terminal (207,006 bbls net to Lochard). This produced income of some US$18.996 million.

The costs of production attributable to Lochard from Athena during the period were US$5.092 million or US$850k per month.

### *Thunderball*

I know that for some shareholders Thunderball was an exciting prospect but the Board was unable to attract interest from a farm-in partner to support drilling of this well despite three separate attempts. The Directors concluded that the Group would not have the financial capacity, nor was willing to seek further funds to invest into what it believed was not a sensible commercial risk, to meet the requirements of the Department of Energy and Climate Change ("DECC") to continue as a North Sea operator.

This absence of third party commercial validation for Thunderball led the board to reconsider its merits and ultimately to allow the licence to lapse. This in turn released Lochard from its obligation to drill a £16 million well.

On 12 February 2013, the Thunderball licence lapsed. Given the financial position of the Company and the lack of support from larger operators your Board considers this to be, on balance, a necessary positive step and one that should greatly assist progress with the ongoing Formal Sale Process.

### *Other assets*

After a review of the various promote style licences that came up for renewal on 9 January 2013, the board was pleased to reach an agreement on three of Lochard's most promising blocks (*Blocks 9/17 & 22, 14/17 and 3/5 & 10c)* with a North Sea Oil & Gas company, to become operator. This agreement is now subject only to DECC approval. Each of these licences has significant reserve potential and a reasonable chance of success. Even at a reduced level, a success on any one of the licences would add material value to the Company.

Under the agreement operator status will transfer to the North Sea Oil & Gas Company which will carry the Lochard obligations on these well for 12 months. In return Lochard will transfer 25 per cent of its interests in these blocks and enter into an option agreement such that the new operator has the right in 12 months to acquire a further 5 per cent interest from Lochard in these blocks.

Promote licences 16/8c, 14/27b and 13/16b & 17 were not considered worth pursuing and have lapsed.

### *27$^{th}$ round of North Sea licence applications*

None of the Group's bids submitted in 2012 in the 27$^{th}$ round of North Sea licence applications was successful.

## Funding

### *Senergy settlement*

The final instalment of the $9 million settlement was paid to Senergy at the end of February 2013.

### *Athena related loan*

In the period from the commencement of production at Athena until 28 February 2013, some $10.5 million of the $28 million total Athena related debt has been repaid at the rate of 50 per cent of gross production revenues. $17.5 million remains outstanding of which $3.5 million is to be repaid at the rate of 50 per cent of gross production revenues and $14 million at the rate of 20 per cent of gross production revenues. This loan is non-recourse and is only payable if production from Athena continues. Commercially therefore it can be regarded as a production cost, net of which Lochard receives its income.

The rate of repayment is expected to fall to 20 per cent of gross revenues from May 2013.

### *Henderson facility*

To date some £1.1 million of the Henderson facility has been drawn. It is expected this will be repaid before the end of the Group's financial year in June 2013.

## Strategy

### *Formal Sale Process*

The Lochard board continues to believe shareholders would be best served by being part of a larger entity with a more diverse portfolio of oil and gas exploration and production assets. With the simplification of the Group's asset portfolio and its improving financial position the Group is now better placed to attract interest from a broader range of potential merger partners.

Following the announcement of the likely lapse in the Thunderball licence there has been a renewed interest shown in the Group and the board are confident that this will lead to a number of offers in the coming months.

**Cost savings**

While the Formal Sale Process continues the Board embarked upon further cost cutting reflecting the simpler nature of the Group.

***Cost savings stemming from ceasing to maintain North Sea operator status***

With the end of its North Sea operator status Lochard has been able to make significant future savings by terminating contracts with third parties no longer required. Additionally, for the next 12 months, Lochard expects to cease funding the technical and development work at the promote licences to be operated by the new operator.

***ASX listing and other associated Australian related costs***

On 15th January 2013 the Australian Stock Exchange ("ASX") accepted Lochard's application to be delisted from the ASX.

The ASX represents only some 6.5 per cent of the shares issued and steps are in place to smooth the transition from the ASX to the AIM register for affected shareholders.

Additionally, Lochard will from the end of March 2013 relocate all financial and administrative functions to the UK.

***Board composition***

Peter Youd, who was based in Australia, and Mike Rose, who led Lochard's technical work agreed to step down from the Board with effect from 14 January 2013. Both gave the Company many years of valuable service.

Since that date the board comprises myself, Non-executive Chairman, with Jamie Brooke and Peter Kingston as Non-executive Directors. Jamie Brooke will become chairman of the audit committee and I remain chairman of the remuneration committee. Peter Kingston will be the Company's technical expert under the AIM Rules for Companies and Lochard's representative on the Technical and Joint Operating committees for the Athena asset.

I would also like to take this opportunity to thank all the consultants and advisers who have assisted Lochard since the change of management in April 2012. In particular I would like to thank Michelle Afflick and Nerida Schmidt who are based in Australia and who will be leaving the Group at the end of March 2013, for their hard work in dealing with many of the Group's issues.

Clive Carver

Clive Carver
Chairman

**LOCHARD ENERGY GROUP PLC**

**HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

*Clive Carver, Non-executive Chairman, said*

***"This has been a dramatic period for the Group. Many legacy issues have been resolved and a line has been firmly drawn under the past.***

***The Group now comprises a valuable interest in a producing asset, substantial tax losses and carried interests in three attractive early stage North Sea licences.***

***This simplification has increased the level of interest from potential merger partners. Your board and the Groups advisers continue to work towards a transaction that maximizes shareholder returns."***

**For further information, call:**

**finnCap Limited**
Matthew Robinson / Christopher Raggett +44 20 7220 0500

**Qualified Person Statement**

In accordance with AIM Note for Mining and Oil & Gas Companies, and ASX Listing Rules 5.11, 5.12 and 5.13 Lochard discloses that Peter Kingston, a non-executive director of Lochard and the Chief Operating Officer of Lochard's operating subsidiary Zeus Petroleum Limited, is the qualified person that has reviewed the technical information contained in this press release.

Peter Kingston is a member of the Society of Petroleum Engineers (SPE) and has 47 years' operating experience in the upstream oil industry. For much of that period he has been a practicing reservoir engineer and has routinely reviewed corporate oil and gas reserve submissions at Board level since 1984. Peter Kingston consents to the inclusion of the information in the form and context in which it appears.

A copy of this announcement will be available from www.lochardenergy.com. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

**Directors Declaration**

The directors of the company declare that:

1. The financial statements and notes as set out on pages 6 to 21:
   (a) Complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Clive Carver

Clive Carver

Chairman

Dated this 27th day of February 2013

**LOCHARD ENERGY GROUP PLC**

**HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2012**

| | Six months ended 31-Dec-12 US$ 000's | Six months ended 31-Dec-11 US$ 000's *restated |
|---|---|---|
| **Continuing operations** | | |
| Revenue on trading operations | 18,996 | - |
| **Revenue** | 18,996 | - |
| Cost of sales on trading operations | (5,093) | - |
| Depreciation and amortisation expense | (6,933) | (8) |
| Changes in inventory | (808) | - |
| Impairment loss oil & gas assets | - | - |
| **Cost of Sales** | (12,834) | (8) |
| **Gross profit** | 6,162 | (8) |
| Other income | - | - |
| Administrative expenses | (1,882) | (13,090) |
| **Operating profit/(loss)** | 4,280 | (13,098) |
| Finance income | 2,813 | 74 |
| Finance expense | (5,479) | (622) |
| **Profit/(Loss) before tax** | 1,614 | (13,646) |
| Income tax credit/(expense) | 4,589 | (1,056) |
| **Profit/(Loss) for the period** | 6,203 | (14,702) |
| Attributable to: | | |
| Equity holders of the parent | 6,203 | (14,702) |
| **Profit/(Loss) for the financial year** | 6,203 | (14,702) |
| **Earnings per share** | | |
| Basic and diluted earnings per share (cents) | 2.2 | (5.9) |

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2012, continued**

| | Six months ended 31-Dec-12 US$ 000's | Six months ended 31-Dec-11 US$ 000's *Restated |
|---|---|---|
| (Loss)/profit for the period | 6,203 | (14,702) |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Exchange differences arising on translation of foreign operations | - | - |
| **Items that will be reclassified to profit or loss** | | |
| | - | - |
| Other comprehensive income for the Period, net of tax | - | - |
| **Total comprehensive income for the period** | 6,203 | (14,702) |
| Attributable to: | | |
| Equity holders of the parent | 6,203 | (14, 702) |
| | 6,203 | (14, 702) |

* See note 2

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**LOCHARD ENERGY GROUP PLC**

**HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**Consolidated Statement of Financial Position for the Half Year ended 31 December 2012**

| | Six months | Year ended | Year ended |
|---|---|---|---|
| | 31-Dec-12 | 30-Jun-12 | 30-Jun-11 |
| | US$ 000's | US$ 000's | US$ 000's |
| | | *Restated | *Restated |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 170 | 9,685 | 13,295 |
| Trade and other receivables | 7,312 | 1,832 | 15,463 |
| Inventories | 295 | 1,103 | - |
| Current tax assets | - | - | - |
| Prepayments | 28 | 22 | 119 |
| **Total Current Assets** | 7,805 | 12,642 | 28,877 |
| **Non-current Assets** | | | |
| Property, plant and equipment | 60,883 | 65,417 | 154 |
| Oil and gas intangible assets | - | - | 45,251 |
| Deferred tax assets | - | 172 | 231 |
| **Total Non-current Assets** | 60,883 | 65,589 | 45,636 |
| **TOTAL ASSETS** | 68,688 | 78,231 | 74,513 |

**Consolidated Statement of Financial Position for the Half Year ended 31 December 2012** *(continued)*

| | | Six months 31-Dec-12 US$ 000's | Year ended 30-Jun-12 US$ 000's *Restated | Year ended 30-Jun-11 US$ 000's *Restated |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | | 3,713 | 10,944 | 2,339 |
| Other financial liabilities | 8 | 8,756 | 11,955 | 10,882 |
| Income tax payable | | - | 3,929 | 1,528 |
| Employee benefits | | - | - | 398 |
| Provisions | 9 | - | - | 120 |
| **Total Current Liabilities** | | 12,469 | 26,828 | 15,267 |
| **Non-current Liabilities** | | | | |
| Other financial liabilities | 8 | 4,444 | 5,085 | 6,507 |
| Provisions | 9 | 1,837 | 1,750 | - |
| Deferred tax liabilities | | - | 833 | 4,399 |
| **Total Non-current Liabilities** | | 6,281 | 7,668 | 10,906 |
| **TOTAL LIABILITIES** | | 18,750 | 34,496 | 26,173 |
| **NET ASSETS** | | 49,938 | 43,735 | 48,340 |
| **EQUITY** | | | | |
| **Equity attributable to equity holders of the parent** | | | | |
| Issued capital | | 34,581 | 34,581 | 30,841 |
| Share premium | | 34,606 | 34,606 | 33,941 |
| Other equity | | (2,169) | (2,169) | (2,169) |
| Other reserves | | 310 | 310 | 938 |
| Accumulated losses | | (17,390) | (23,593) | (15,211) |
| **TOTAL EQUITY** | | 49,938 | 43,735 | 48,340 |

Signed on behalf of the Board of Directors
Clive Carver
27 February 2013
* See note 2

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity for the Half Year ended 31 December 2012

| | Issued capital | Share premium account | Asset revaluation | Share based payment reserve | Translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | **US$ 000's** | **US$ 000's** | **US$ 000's** | **US$ 000's** | **US$ 000's** | **US$ 000's** | **US$ 000's** |
| **Group** | | | | | | | |
| 1 July 2011 (restated) | 30,841 | 33,941 | (2,169) | 938 | - | (15,211) | 48,340 |
| Share issued | 3,740 | 1,065 | - | - | - | - | 4,805 |
| Share issue costs | - | (400) | - | - | - | - | (400) |
| Loss for the period | - | - | - | - | - | (8,382) | (8,382) |
| Translation adjustment for the period | - | - | - | - | (628) | - | (628) |
| 30 June 2012 | 34,581 | 34,606 | (2,169) | 938 | (628) | (23,593) | 43,735 |
| Profit for the period | - | - | - | - | - | 6,203 | 6,203 |
| 31 December 2012 | 34,581 | 34,606 | (2,169) | 938 | (628) | (17,390) | 49,938 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows for the Half Year ended 31 December 2012**

| | Six months 31-Dec-12 US$ 000's | Six months 31-Dec-11 US$ 000's *Restated |
|---|---|---|
| **Net profit/(loss)** | 6,203 | (14,702) |
| Adjustments for: | | |
| Depreciation and amortisation of plant and equipment | 5 | 7 |
| Amortisation of development and abandonment costs | 6,928 | - |
| Accretion expense | 87 | - |
| Net unrealised foreign exchange losses | (335) | 623 |
| Loss on write down of property, plant and equipment | 12 | - |
| Gain on fair value of liability | (2,788) | - |
| Settlement of legal dispute | - | - |
| Net finance income | (25) | (74) |
| Income tax expense | 1 | 1,056 |
| Change in tax payable | (3,928) | - |
| Change in current tax assets | 172 | - |
| Change in provisions | (833) | 10,191 |
| Interest paid | 5,710 | - |
| | 11,209 | (2,899) |
| Changes in assets and liabilities: | | |
| Change in receivables | (5,481) | - |
| Change in inventory | 809 | - |
| Change in prepayments | (6) | 8 |
| Change in payables | (6,913) | (1,669) |
| | (11,591) | (1,661) |
| Income tax paid | (1) | - |
| **Net cash flows (used in)/from operating activities** | (383) | (4,560) |

**Consolidated Statement of Cash Flows for the Half Year ended 31 December 2012** *(continued)*

| | **Six months ended 31-Dec-12 US$ 000's** | **Six months Ended 31-Dec-11 US$ 000's** |
|---|---|---|
| **Cash flows from investing activities** | | |
| Interest received | 25 | 74 |
| Development expenditure | (2,730) | (10,941) |
| Purchase of property, plant and equipment | - | (6) |
| Proceeds from the disposal of development expenditure | - | 2,843 |
| **Net cash flows (used in)/from investing Activities** | (2,705) | (8,030) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | - | 2,001 |
| Repayment of borrowings | (6,762) | - |
| **Net cash flows from financing activities** | (6,762) | 2,001 |
| Net (decrease)/increase in cash and cash equivalents | (9,850) | (10,589) |
| Cash and cash equivalents at beginning of the year | 9,685 | 12,748 |
| Effect of exchange rate fluctuations on cash held | 335 | 92 |
| **Cash and cash equivalents at end of the year** | 170 | 2,251 |

* See note 2

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## EXPLANATORY NOTES

### 1. Reporting entity

Lochard Energy Group Plc is a public limited company incorporated in England and Wales. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2012 relate to the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2012 is available upon request from the Company's London office, 1 Wood Street, London, United Kingdom, or from our web site, www.lochardengery.com.

The Directors of the Company approved the financial information included in this interim result on 28 February 2013.

The consolidated interim financial statements for the period ended 31 December 2012 are unaudited but have been reviewed by the auditors; the Independent Review Report is set out on page 21.

### 2. Basis of preparation

**Going Concern**

The consolidated interim financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for the Group for the period to 28 February 2014 based on their assessment of the prospects of the Group's operations.

The cash flow forecasts are based upon estimates of future operating expenditure for and production from the Athena field and upon assumptions of future oil prices. They include a base case and also take into account possible adverse variances in trading conditions. Cash outflows include repayments as required on the project finance loan and rely on the utilisation of the Henderson Drawdown facility.

Based on an assessment of the resulting cash flow pattern, the Directors have satisfied themselves that the Group has a reasonable prospect of being able to operate within in its cash resources.

**Functional and presentation currency**

The Group financial statements are presented in US dollars, and all values are rounded to the nearest thousand dollars ($'000) except when otherwise indicated. The functional currencies of the individual Group companies are also US dollars.

The financial statements for the year ended 30 June 2012 were presented in Australian dollars. The Directors have decided to present the financial statements for the half year ended 31 December 2012 in US dollars as it is the currency most relevant to our investors given the nature of the Group's current activities. The Group no longer has operations where AUD transactions are prevalent and therefore presenting the financial statement in AUS dollars is not considered appropriate. Following commencement of production of Athena and extinguishment of Australian dollar denominated liabilities, the Directors reconsidered the functional currency. The functional currency of the underlying operational asset and the related debt structure of the Group is US dollars. It is therefore considered that the most appropriate presentational currency is US dollars for the Group financial statements.

The comparative financial statements for the year ended 30 June 2012 and 30 June 2011 have been represented using a rate for the statement of financial position of $A1:$US1.0159 and $A1:$US1.0595, representing the closing rate at 30 June 2012 and 30 June 2011 respectively and income statement of

$A1:$US1.0323 and $A1:$US1.0321, representing the approximate rate ruling at the date of transaction for the twelve months ended 30 June 2012 and the six months ended 31 December 2012 respectively.

### 3. Significant accounting policies

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2012 and any public announcements made by Lochard Energy Group PLC during the half-year reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

The half-yearly financial report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as adopted by the EU.

### 4. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements refer to the annual financial report for the year ended 30 June 2012.

### 5. Earnings per share

| | **Six months ended 31-Dec-12**<br>**000s** | **Six months ended 31-Dec-11**<br>**000s** |
|---|---|---|
| Earnings for the purpose of basic and diluted EPS | $6,203 | ($14,702) |
| Weighted average number of shares used in basic and diluted EPS | 281,225 | 249,580 |

### 6. Income Tax

The income tax credit for the period represents the reversal of balances previously recognised in anticipation of the company’s migration of tax residency. Management no longer believes that this provision is required.

### 7. Operating Segments

The Group’s reportable segments under IFRS 8 consist of the following Group entities:

| | |
|---|---|
| Corporate Services | Lochard Energy Group Plc |
| Oil and Gas Assets | Lochard Energy Limited, Zeus Petroleum Limited and Lochard Energy Inc. |

There are varying amounts of transactions between the group entities, all intersegment pricing is determined on an arm’s length basis.

7. **Operating Segments** **(continued)**

| Business Segment | Oil and gas assets | | Corporate services | | Total | |
|---|---|---|---|---|---|---|
| | **31-Dec-12** | 31-Dec-11 | **31-Dec-12** | 31-Dec-11 | **31-Dec-12** | 31-Dec-11 |
| | **US$000's** | US$000's | **US$000's** | US$000's | **US$000's** | US$000's |
| **Revenue** | | | | | | |
| Revenue from external customers | **18,996** | - | **-** | - | **18,996** | - |
| Intersegment revenues | **-** | - | **322** | - | **322** | - |
| **Total segment revenues** | | | | | **19,318** | **-** |
| Eliminate Inter-segment sales | | | | | **(322)** | - |
| **Consolidated revenue** | | | | | **18,996** | **-** |
| **Profit or (loss)** | | | | | | |
| Segment profit or (loss) | **(735)** | (17,581) | **7,351** | 3,009 | **6,616** | (14,572) |
| Eliminate adjustments on consolidation | | | | | **413** | (130) |
| **Consolidated profit (loss)** | | | | | **6,203** | (14,702) |

## 8. Other financial liabilities

| | 31-Dec- 12 US$ 000's | 30-June-12 US$ 000's reinstated | 30-June-11 US$ 000's reinstated |
|---|---|---|---|
| **Current** | | | |
| Unsecured non-bank project funding | **8,756** | 11,955 | 10,882 |
| **Non-current** | | | |
| Unsecured non-bank project funding | **4,444** | 5,085 | 6,507 |
| | **13,200** | 17,040 | 17,389 |

*Unsecured non-bank project funding*

Zeus Petroleum Limited, a fully owned subsidiary of Lochard, secured up to US$14 million of funding for operations relating to the development of the Athena oil field. Loan interest and repayments are to be paid out of Zeus' future share of the Athena gross oil revenues. Zeus holds a 10% interest in North Sea Block 14/18b which contains the Athena discovery.

As at 30 June 2012 the loan facility had been fully utilised up to US$14 million and the liability has been recorded at its amortized cost at the reporting date.

Repayments during the current reporting period comprised US$1.05million of principal reduction and US$5.71million of interest. The effective interest rate of the unsecured non-bank project finance loan is approximately 84% per annum. The high rate of effective interest rate is due to the financier taking into account the production and project execution risk.

Lochard recognised a gain on fair valuation of the liability of US$2.8 million in the current reporting period as a result of a re-estimation of cash flows due to delays in the timing of first oil production and changes to the pricing curves used in the calculation.

As at 31 December 2012 the Group expects to repay a total of US$31.825 million *(2011: US$30.638 million)* with $US25 million to be paid over the following years based on forward curve oil prices at 31 December 2012, an AUD/USD exchange rate of 1.0159, and forecasted oil production.

| | **US$ 000's** |
|---|---|
| Within 1 year | 11,715 |
| Year 1 to 2 | 7,636 |
| Beyond year 2 | 5,655 |
| | 25,006 |

**9. Provisions**

| | Decommissioning Provision | Total |
|---|---|---|
| | US$ 000's | US$ 000's |
| At 30 June 2012 (ii) | 1,750 | 1,750 |
| Arising during the period | - | - |
| Accretion expense | 87 | 87 |
| At 31 December 2012 | 1,837 | 1,837 |
| | | |
| At 30 June 2011 (i) | -120 | 120 |
| Arising during the | - | - |
| period | - | - |
| Translation adjustment | - | - |
| At 31 December 2011 | 120 | 120 |

(i) Decommissioning provision – In February 2012, Lochard Energy Inc., a wholly owned subsidiary of Lochard Energy Ltd sold its producing oil and gas assets at Caldwell County, Texas, USA. The decommissioning provision to restore the land and the surrounds to its previous state was reversed. Lochard Energy Inc. was subsequently wound up and has no further interests in the USA.

(ii) Development of the Athena oil and gas intangible assets was completed with first production achieved in May 2012. The provision for decommissioning and abandoning of the assets of US$1.750 million was recognised as at 30 June 2012.

**10. Equity**

The total number of shares on issue at 31 December 2012 were 249,579,902 *(30 June 2012: 249,579,902)*

## 11. Subsequent events

***Senergy settlement***

The final instalment of US$1.2 million of the US$9 million settlement to Senergy has been paid on 27 February 2013.

***Henderson facility***

In January 2013 £1.1 million of the Henderson loan facility was drawn down. Henderson are the Company's largest shareholder.  It is expected this will be repaid before the end of the Group's financial yearend in June 2013.

***Thunderball***

In January 2013, the Company announced that, following the loss of the Lochard Group's operator status together with failure to find a farm-in or merger partner, it was unlikely that Lochard would be able to drill the required well and that Lochard's interest in the Thunderball license lapsed, effective 11$^{th}$ February 2013.

# INDEPENDENT REVIEW REPORT TO LOCHARD ENERGY GROUP PLC

**Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

**Directors' responsibilities**

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM and ASX listing rules.

As disclosed in note 3, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the AIM and ASX listing rules and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the AIM and ASX listing rules.

BDO LLP

*BDO LLP*
*Chartered Accountants and Registered Auditors*
*London*
*United Kingdom*
*27 February 2013*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).