



LION
ENERGY LIMITED

ABN 51 000 753 640

**Consolidated Financial Report for the Half-Year
to 31 December 2009**



LION ENERGY LIMITED
CORPORATE DIRECTORY

DIRECTORS: Jian Wu (Chairman)
Russell Brimage
Weidong Zhang

COMPANY SECRETARY: Jack Hugh Toby FCA AACS

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

Tel: +61 (8) 9213 4388
Fax: +61 (8) 9213 4399

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

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

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

GPO Box D182
Perth, Western Australia 6840

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



DIRECTORS' REPORT

The directors of Lion Energy Limited A.C.N. 000 753 640 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the half-year ended 31 December 2009. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Jian Wu (Chairman)
Russell Brimage
Weidong Zhang

OPERATING RESULTS

The operating profit for the Consolidated Entity, after income tax amounted to \$1,847,540.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

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

On 8 December 2009, the Company announced that Lion International Investment Ltd (LII), a wholly owned subsidiary of the Company, is one of the vendors which has on 7th December 2009 entered into an agreement with Talisman Niugini Ltd (Purchaser) to sell its 19.199% holding in Papua Petroleum Ltd (PPL) which comprises 20,775,000 ordinary shares in the issued capital in PPL (Share Sale Agreement). LII originally acquired its interest in PPL on 9 June 2008 for AU\$3,000,000. The total consideration payable by the Purchaser for the acquisition of all the issued capital of PPL is AU\$25,000,000. LII's percentage entitlement of the total consideration payable by the Purchaser is A\$4,799,783. At completion, AU\$23,000,000 shall be paid to the vendors in accordance with their percentage entitlement at completion (Completion Payment) and the remaining AU\$2,000,000 shall be into a trust account pending the occurrence of certain events (Holdback Amounts). LII will receive AU\$4,415,800 at completion with AU\$383,983 held in escrow as LII's proportionate share of the Holdback Amounts. The Share Sale Agreement also contains warranties that are usual for a transaction of this nature and LII's liability for any breach of warranty by LII is limited to approximately AU\$2,000,000.

EVENTS SUBSEQUENT TO BALANCE DATE

On 8 January 2010, the Company announced that it had received AU\$4,415,800 in cash as part proceeds for the sale of its shares in PPL.

On 18 January 2010, the Company announced that Lion International Investment Limited ("LII"), a wholly owned subsidiary of the Company, had registered a new subsidiary company in China named Qinghai First New Energy Limited ("Qinghai") as part of its continuing investigation of new opportunities for the Company. Qinghai is a wholly owned subsidiary of LII and LII intends to transfer funds of approximately \$3.5 million to Qinghai to be held in cash in China. Qinghai will commence its activities with an investigation of new energy opportunities in China.

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



DIRECTORS' REPORT

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Grant Thornton Audit Pty Ltd, have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2009. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "R Brimage", written in a cursive style.

Russell Brimage
Director

2 March 2010
Perth, Western Australia



DIRECTORS' DECLARATION

The directors of Lion Energy Limited A.C.N. 055 719 394 ("Company") declare that:

- a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;
 - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and
- b) In their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read "R Brimage", written in a cursive style.

Russell Brimage
Director

2 March 2010
Perth, Western Australia



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	2009 \$	2008 \$
Sales Revenue	2	1,415,634	1,870,051
Cost of sales		(411,790)	(1,457,523)
GROSS PROFIT		1,003,844	412,528
Other revenue	2	143,686	213,268
Other income	2	2,272,775	4,370,073
Other expenses	2	(1,572,765)	(3,354,263)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		1,847,540	1,641,606
Income tax		—	—
PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX		1,847,540	1,641,606
NET PROFIT/(LOSS) FOR THE PERIOD		1,847,540	1,641,606
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		(817,900)	(557,910)
Income tax relating to components of other comprehensive income		—	—
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		(817,900)	(557,910)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		1,029,640	1,083,696
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		1.96	1.95
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		1.96	1.95

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	31 December 2009 \$	30 June 2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		8,945,432	5,281,886
Trade and other receivables	3	794,127	161,366
Inventories		480,250	773,121
TOTAL CURRENT ASSETS		10,219,809	6,216,373
NON-CURRENT ASSETS			
Plant and equipment		133,359	159,056
Trade and other receivables	4	294,398	102,406
Capitalised exploration expenditure		2,231,103	2,742,568
Other financial assets		—	3,000,000
TOTAL NON-CURRENT ASSETS		2,658,860	6,004,030
TOTAL ASSETS		12,878,669	12,220,403
CURRENT LIABILITIES			
Trade and other payables		880,345	1,256,730
TOTAL CURRENT LIABILITIES		880,345	1,256,730
NON-CURRENT LIABILITIES			
Trade and other payables		470,766	465,755
TOTAL NON-CURRENT LIABILITIES		470,766	465,755
TOTAL LIABILITIES		1,351,111	1,722,485
NET ASSETS		11,527,558	10,497,918
EQUITY			
Issued capital	5	51,691,088	51,691,088
Reserves	6	2,354,872	3,172,772
Accumulated losses		(42,518,402)	(44,365,942)
TOTAL EQUITY		11,527,558	10,497,918

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		930,725	1,870,051
Payments to suppliers & employees		(978,892)	(603,666)
Interest received		15,746	88,084
Other income		127,940	125,184
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		95,519	1,479,653
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration, development and production expenditure		(505,304)	(2,775,678)
Purchase of property, plant and equipment		(3,376)	(4,453)
Proceeds from sale of property, plant and equipment		—	—
Proceeds from sale of investments		4,415,800	(452,171)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		3,907,120	(3,232,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		—	2,014,284
Share issue costs		—	(10,000)
Repayment of borrowings		—	(1,852,029)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		—	152,255
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,002,639	(1,600,394)
Net foreign exchange differences		(339,093)	2,325,527
Cash and cash equivalents at beginning of period		5,281,886	7,243,285
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	8,945,432	7,968,418

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

<u>Attributable to Members of Lion Energy Limited</u>	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2008</i>	49,686,804	1,550,000	2,545,752	(42,689,808)	11,092,748
Currency translation differences	—	—	(557,910)	—	(557,910)
Total comprehensive income for the period	—	—	—	1,641,606	1,641,606
SUBTOTAL	—	—	(557,910)	1,641,606	1,083,696
<i>Transactions with owners in their capacity as owners</i>					
Securities issued	2,014,284	—	—	—	2,014,284
Capital raising costs	(10,000)	—	—	—	(10,000)
At 31 DECEMBER 2008	51,691,088	1,550,000	1,987,842	(41,048,202)	14,180,728
<u>Attributable to Members of Lion Energy Limited</u>	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2009</i>	51,691,088	1,550,000	1,622,772	(44,365,942)	10,497,918
Currency translation differences	—	—	(817,900)	—	(817,900)
Total comprehensive income for the period	—	—	—	1,847,540	1,847,540
SUBTOTAL	—	—	(817,900)	1,847,540	1,029,640
At 31 DECEMBER 2009	51,691,088	1,550,000	804,872	(42,518,402)	11,527,558

The accompanying notes form part of this financial report



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Lion Energy Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

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

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- a) the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- b) the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income; and
- c) other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

The Company has not elected to early adopt any new standards or amendments.

Statement of compliance

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

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-Year to 31 December 2009 \$	Half-Year to 31 December 2008 \$
NOTE 2. REVENUE, INCOME AND EXPENSES		
<i>The profit/(loss) before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:</i>		
REVENUE		
Oil sales	1,415,634	1,870,051
Interest received	15,746	88,084
Rental income	127,940	125,184
	<u>1,559,320</u>	<u>2,083,319</u>
OTHER INCOME		
Foreign exchange gains	—	4,370,073
Profit on sale of investments	2,272,775	—
	<u>2,272,775</u>	<u>4,370,073</u>
CHARGING AS EXPENSES		
Impairment of capitalised exploration costs	379,121	319,874
Impairment of investment	—	1,013,921
Foreign exchange loss	146,097	—
Indonesian First Tranche Petroleum royalty	50,376	474,171
Evaluation of new projects	390,126	454,074
Impairment of receivables	—	340,555
Other	607,045	751,668
	<u>1,572,765</u>	<u>3,354,263</u>
	Half-Year to 31 December 2009 \$	Year to 30 June 2009 \$
NOTE 3. TRADE AND OTHER RECEIVABLES (CURRENT)		
Receivables due from other parties	794,127	161,366
	<u>794,127</u>	<u>161,366</u>
NOTE 4. TRADE AND OTHER RECEIVABLES (NON-CURRENT)		
Receivables due from other parties	191,992	—
Deposits	102,406	102,406
	<u>294,398</u>	<u>102,406</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-Year to 31 December 2009 \$	Year to 30 June 2009 \$
NOTE 5. ISSUED CAPITAL		
ORDINARY SHARES		
94,493,754 (30 June 2009: 94,493,754) fully paid ordinary shares	51,691,088	51,691,088
	<u>51,691,088</u>	<u>51,691,088</u>
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the period	51,691,088	49,686,804
33,571,400 shares issued on 27 August 2008	—	2,014,284
Capital raising costs	—	(10,000)
	<u>51,691,088</u>	<u>51,691,088</u>
AT THE END OF THE FINANCIAL PERIOD		
NOTE 6. RESERVES		
Option premium reserve	1,550,000	1,550,000
Currency translation reserve	804,872	1,622,772
	<u>2,354,872</u>	<u>3,172,772</u>
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the period	1,622,772	2,545,752
Consolidation adjustment for the half-year	(817,900)	(922,980)
	<u>804,872</u>	<u>1,622,772</u>
AT THE END OF THE FINANCIAL PERIOD		

NOTE 7. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprises A\$1,804,166 denominated in AUD\$ and held in an Australian bank, A\$2,680,113 denominated in US\$ and held in a Hong Kong bank, A\$4,417,122 denominated in AUD\$ and held in a Hong Kong bank, A\$298 denominated in HK\$ and held in a Hong Kong bank, A\$5,972 denominated in US\$ and held in a US bank and A\$37,761 denominated in US\$ held on deposit with a Hong Kong futures broker.

NOTE 8. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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.

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

	HALF-YEAR TO 31 DECEMBER 2009			HALF-YEAR TO 31 DECEMBER 2008		
	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$
SEGMENT PERFORMANCE						
External revenue	1,417,860	141,460	1,559,320	1,870,490	212,829	2,083,319
Other external income	2,272,775	—	2,272,775	—	—	—
TOTAL SEGMENT REVENUE	3,690,635	141,460	3,832,095	1,870,490	212,829	2,083,319
Segment net profit/(loss) before tax	2,227,915	(380,375)	1,847,540	(2,761,429)	4,403,035	1,641,606
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			1,847,540			1,641,606

	31 DECEMBER 2009			30 JUNE 2009		
	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$
SEGMENT ASSETS						
Segment assets	10,838,232	2,040,437	12,878,669	9,791,864	2,428,539	12,220,403
TOTAL ASSETS FROM CONTINUING OPERATIONS			12,878,669			12,220,403



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	31 DECEMBER 2009			30 JUNE 2009		
	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$
SEGMENT LIABILITIES						
Segment liabilities	1,309,568	41,543	1,351,111	1,674,580	47,905	1,722,485
TOTAL LIABILITIES FROM CONTINUING OPERATIONS			1,351,111			1,722,485

REVENUE BY GEOGRAPHICAL REGION

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

	Half-Year to 31 December 2009 \$	Half-Year to 31 December 2008 \$
Australia	141,460	212,829
Asia	3,690,635	1,870,490
USA	—	—
	3,832,095	2,083,319

ASSETS BY GEOGRAPHICAL REGION

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

	31 December 2009 \$	30 June 2009 \$
Australia	2,034,465	2,427,052
Asia	10,838,232	9,791,864
USA	5,972	1,487
	12,878,669	12,220,403

MAJOR CUSTOMERS

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 9. CONTINGENT LIABILITIES

The Company has received a notice of a claim from the solicitors for Tulloch Lodge Limited (In Liquidation) demanding payment of an amount of \$1,481,244.00 plus interest of \$398,855.99 alleged to be due under a loan agreement entered into in January 2003. The company is confident that the claim is without foundation, and has instructed its solicitors to provide urgent advice in relation to the matter. There has been no other significant change in contingent liabilities since the last annual reporting date.

NOTE 10. EVENTS SUBSEQUENT TO BALANCE DATE

On 8 January 2010, the Company announced that it had received AU\$4,415,800 in cash as part proceeds for the sale of its shares in PPL.

On 18 January 2010, the Company announced that Lion International Investment Limited ("LII"), a wholly owned subsidiary of the Company, had registered a new subsidiary company in China named Qinghai First New Energy Limited ("Qinghai") as part of its continuing investigation of new opportunities for the Company. Qinghai is a wholly owned subsidiary of LII and LII intends to transfer funds of approximately \$3.5 million to Qinghai to be held in cash in China. Qinghai will commence its activities with an investigation of new energy opportunities in China.

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

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

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

We have reviewed the accompanying half-year financial report of Lion Energy Limited (the Company) which comprises the consolidated financial statements being the statement of financial position as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Lion Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Grant Thornton Audit Pty Ltd ACN 130 913 594, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.


Independence

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

Conclusion

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

- 1 giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- 2 complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD



M J Hillgrove
Director – Audit and Assurance Services

Perth, 2 March 2010.

Grant Thornton Audit Pty Ltd ACN 130 913 594, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Lion Energy Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD



MJ Hillgrove
Director – Audit & Assurance Services

Perth, 2 March 2010.

Grant Thornton Audit Pty Ltd ACN 130 913 594, a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127 556 389.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.