



**LION**  
**ENERGY LIMITED**

**ABN 51 000 753 640**

**Consolidated Financial Report for the Half-Year  
to 31 December 2010**



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**LION ENERGY LIMITED**  
**CORPORATE DIRECTORY**

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**DIRECTORS:** Jian Wu (Chairman)  
Russell Brimage  
Weidong Zhang

**COMPANY SECRETARY:** Jack Hugh Toby FCA MACS

**REGISTERED OFFICE:** Ground Floor  
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West Perth WA 6005  
Australia

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**AUDITORS:** **Grant Thornton Audit Pty Ltd**  
Level 1, 10 Kings Park Road  
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**SHARE REGISTRY:** **Computershare Investor Services Pty Ltd**  
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## DIRECTORS' REPORT

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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 2010. 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 loss for the Consolidated Entity, after income tax amounted to \$357,838.

### 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 September 2010, the Company announced that Lion Group subsidiary, Lion International Investment Limited ("LII") had reinstated its subsidiary, Lion Nanning Petro-Chemical Limited (Registration number 450103200001615(1-1) ("Lion Nanning") which is registered in China and which will be its sole active subsidiary in China. Lion Nanning was deregistered in May 2009, but was reinstated to good standing and is wholly owned by LII. In preparation for potential opportunities in China, LII had transferred CNY 38,429,875 to Lion Nanning.

On 16 November 2010, the Company announced that Lion Nanning is seeking to acquire an interest in a Solar Project, located in Qinghai, China, which is outside the scope of the Company's current activities in oil and gas. Through a conditional share purchase agreement Lion Nanning proposes to acquire 38,000,000 fully paid shares in Qinghai First New Energy Limited ("FNE") for CNY38,000,000 (approximately AUD\$6 million based on an exchange rate of A\$1 = CNY 6.2265). Upon completion of the acquisition, Lion Nanning will have an interest of approximately 38% in FNE. FNE is a project company, which is a company incorporated in the People's Republic of China ("PRC") that plans to construct a 1000MW solar thermal power plant in Qinghai's Gobi Desert. Construction is scheduled to commence in the first half of 2011.

The investment in the Solar Project will, if it proceeds, involve a significant change in the nature and scale of the Company's activities, and as a consequence the Company will be seeking shareholder approval for the investment in the Solar Project. If shareholder approval is obtained, the Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

In December 2010, LII received the final holdback amount of AUD\$191,991 as part proceeds for the sale of its 19.199% holding in Papua Petroleum Ltd (PPL) which comprised 20,775,000 ordinary shares in the issued capital in PPL. This finalised the successful sale process for the PPL investment.

### EVENTS SUBSEQUENT TO BALANCE DATE

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



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## DIRECTORS' REPORT

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### 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 2010. 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

11 March 2011  
Perth, Western Australia



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## DIRECTORS' DECLARATION

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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 2010 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

11 March 2011  
Perth, Western Australia



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Note	2010 \$	2009 \$
Sales Revenue	2	898,201	1,415,634
Cost of sales		(466,224)	(411,790)
<b>GROSS PROFIT</b>		431,977	1,003,844
Other revenue	2	71,056	143,686
Other income	2	190,000	2,272,775
Other expenses	2	(1,050,871)	(1,572,765)
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		(357,838)	1,847,540
Income tax		—	—
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX</b>		(357,838)	1,847,540
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		(357,838)	1,847,540
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translating foreign operations		(1,412,243)	(817,900)
Income tax relating to components of other comprehensive income		—	—
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>		(1,412,243)	(817,900)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		(1,770,081)	1,029,640
<b>BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)</b>		(0.38)	1.96
<b>DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)</b>		(0.38)	1.96

The accompanying notes form part of this financial report

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

	Note	31 December 2010 \$	30 June 2010 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,007,884	2,484,215
Trade and other receivables	3	1,146,035	7,159,940
Inventories		367,997	536,345
<b>TOTAL CURRENT ASSETS</b>		<b>8,521,916</b>	<b>10,180,500</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		48,903	115,971
Capitalised exploration expenditure		1,774,705	2,123,441
Other financial assets		—	—
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,823,608</b>	<b>2,239,412</b>
<b>TOTAL ASSETS</b>		<b>10,345,524</b>	<b>12,419,912</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,259,067	1,512,120
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,259,067</b>	<b>1,512,120</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		473,000	524,254
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>473,000</b>	<b>524,254</b>
<b>TOTAL LIABILITIES</b>		<b>1,732,067</b>	<b>2,036,374</b>
<b>NET ASSETS</b>		<b>8,613,457</b>	<b>10,383,538</b>
<b>EQUITY</b>			
Issued capital	4	51,691,088	51,691,088
Reserves	5	459,942	1,872,185
Accumulated losses		(43,537,573)	(43,179,735)
<b>TOTAL EQUITY</b>		<b>8,613,457</b>	<b>10,383,538</b>

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Note	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		106,942	930,725
Payments to suppliers & employees		(612,956)	(978,892)
Interest received		29,755	15,746
Other income		41,301	127,940
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>(434,958)</b>	<b>95,519</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration, development and production expenditure		(800,635)	(505,304)
Purchase of property, plant and equipment		—	(3,376)
Loans repaid by other entities		6,334,211	—
Proceeds from sale of investments		194,143	4,415,800
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>5,727,719</b>	<b>3,907,120</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from equity issues		—	—
Share issue costs		—	—
Repayment of borrowings		—	—
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>—</b>	<b>—</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,292,761</b>	<b>4,002,639</b>
Net foreign exchange differences		(769,092)	(339,093)
Cash and cash equivalents at beginning of period		2,484,215	5,281,886
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6</b>	<b>7,007,884</b>	<b>8,945,432</b>

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

<u><i>Attributable to Members of Lion Energy Limited</i></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
<b>SUBTOTAL</b>	—	—	(817,900)	1,847,540	1,029,640
<b>At 31 DECEMBER 2009</b>	51,691,088	1,550,000	804,872	(42,518,402)	11,527,558

  

<u><i>Attributable to Members of Lion Energy Limited</i></u>	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2010</i>	51,691,088	1,550,000	322,185	(43,179,735)	10,383,538
Currency translation differences	—	—	(1,412,243)	—	(1,412,243)
Total comprehensive income for the period	—	—	—	(357,838)	(357,838)
<b>SUBTOTAL</b>	—	—	(1,412,243)	(357,838)	(1,770,081)
<b>At 31 DECEMBER 2010</b>	51,691,088	1,550,000	(1,090,058)	(43,537,573)	8,613,457

The accompanying notes form part of this financial report



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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### 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 2010 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 2010, 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.

#### 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 2010.

Half-Year to 31 December 2010 \$	Half-Year to 31 December 2009 \$
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### NOTE 2. REVENUE, INCOME AND EXPENSES

*The profit/(loss) before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:*

#### REVENUE

Oil sales	898,201	1,415,634
Interest received	29,755	15,746
Rental income	41,179	127,940
Other income	122	—
	969,257	1,559,320

#### OTHER INCOME

Foreign exchange gains	190,000	—
Profit on sale of investments	—	2,272,775
	190,000	2,272,775

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	<b>Half-Year to 31 December 2010 \$</b>	<b>Half-Year to 31 December 2009 \$</b>
<b>CHARGING AS EXPENSES</b>		
Impairment of capitalised exploration costs	473,693	379,121
Loss on disposal of plant and equipment	48,595	—
Foreign exchange loss	—	146,097
Indonesian First Tranche Petroleum royalty	35,600	50,376
Evaluation of new projects	—	390,126
Other	492,983	607,045
	<u>1,050,871</u>	<u>1,572,765</u>
	<b>Half-Year to 31 December 2010 \$</b>	<b>Year to 30 June 2010 \$</b>
<b>NOTE 3. TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Receivables due from other parties	1,146,035	7,159,940
	<u>1,146,035</u>	<u>7,159,940</u>
<b>NOTE 4. ISSUED CAPITAL</b>		
<b>ORDINARY SHARES</b>		
94,493,754 (30 June 2010: 94,493,754) fully paid ordinary shares	51,691,088	51,691,088
	<u>51,691,088</u>	<u>51,691,088</u>
<b>MOVEMENTS IN ORDINARY SHARES</b>		
At the beginning of the period	51,691,088	51,691,088
<b>AT THE END OF THE FINANCIAL PERIOD</b>	<u>51,691,088</u>	<u>51,691,088</u>
<b>NOTE 5. RESERVES</b>		
Option premium reserve	1,550,000	1,550,000
Currency translation reserve	(1,090,058)	322,185
	<u>459,942</u>	<u>1,872,185</u>
<b>MOVEMENTS IN CURRENCY TRANSLATION RESERVE</b>		
At the beginning of the period	322,185	1,622,772
Consolidation adjustment for the half-year	(1,412,243)	(353,485)
Transfer on deregistration of subsidiary	—	(947,102)
<b>AT THE END OF THE FINANCIAL PERIOD</b>	<u>(1,090,058)</u>	<u>322,185</u>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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### NOTE 6. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprises A\$992,016 denominated in AUD\$ and held in an Australian bank, A\$53,886 denominated in US\$ and held in a Hong Kong bank, A\$198,273 denominated in AUD\$ and held in a Hong Kong bank, A\$16,894 denominated in HK\$ and held in a Hong Kong bank, A\$5,129 denominated in US\$ and held in a US bank and A\$5,741,686 denominated in CNY and held in a bank in China.

### NOTE 7. SEGMENT INFORMATION

#### IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

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

#### BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payable and certain direct borrowings.

Items of revenue, expense, assets and liabilities are not allocated to operating segments if they are not considered part of the core operations of any segment.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	HALF-YEAR TO 31 DECEMBER 2010			HALF-YEAR TO 31 DECEMBER 2009		
	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$
<b>SEGMENT PERFORMANCE</b>						
External revenue	898,201	71,056	969,257	1,417,860	141,460	1,559,320
Other external income	190,000	—	190,000	2,272,775	—	2,272,775
<b>TOTAL SEGMENT REVENUE</b>	<b>1,088,201</b>	<b>71,056</b>	<b>1,159,257</b>	<b>3,690,635</b>	<b>141,460</b>	<b>3,832,095</b>
Segment net profit/(loss) before tax	<u>33,477</u>	<u>(391,315)</u>	<u>(357,838)</u>	<u>2,227,915</u>	<u>(380,375)</u>	<u>1,847,540</u>
<b>NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>			<u>(357,838)</u>			<u>1,847,540</u>

	31 DECEMBER 2010			30 JUNE 2010		
	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$
<b>SEGMENT ASSETS</b>						
Segment assets	<u>9,207,500</u>	<u>1,138,024</u>	<u>10,345,524</u>	<u>10,751,866</u>	<u>1,668,046</u>	<u>12,419,912</u>
<b>TOTAL ASSETS FROM CONTINUING OPERATIONS</b>			<u>10,345,524</u>			<u>12,419,912</u>

	31 DECEMBER 2010			30 JUNE 2010		
	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$	Lion International Investments Limited and its subsidiaries \$	Other Group Entities \$	Total \$
<b>SEGMENT LIABILITIES</b>						
Segment liabilities	<u>1,716,103</u>	<u>15,964</u>	<u>1,732,067</u>	<u>1,983,133</u>	<u>53,241</u>	<u>2,036,374</u>
<b>TOTAL LIABILITIES FROM CONTINUING OPERATIONS</b>			<u>1,732,067</u>			<u>2,036,374</u>




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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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REVENUE BY GEOGRAPHICAL REGION

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

	<b>Half-Year to 31 December 2010 \$</b>	<b>Half-Year to 31 December 2009 \$</b>
Australia	71,056	141,460
Asia	1,088,201	3,690,635
USA	—	—
	1,159,257	3,832,095

ASSETS BY GEOGRAPHICAL REGION

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

	<b>31 December 2010 \$</b>	<b>30 June 2010 \$</b>
Australia	1,132,895	1,663,984
Asia	9,207,500	10,751,866
USA	5,129	4,062
	10,345,524	12,419,912

MAJOR CUSTOMERS

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

**NOTE 8. 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 advice in relation to the matter. There has been no other significant change in contingent liabilities since the last annual reporting date.

**NOTE 9. GROUP STRUCTURE**

On 8 September 2010, the Company announced that Lion Group subsidiary, Lion International Investment Limited (“LII”) had reinstated its subsidiary, Lion Nanning Petro-Chemical Limited (Registration number 450103200001615(1-1) (“Lion Nanning”) which is registered in China and which will be its sole active subsidiary in China. Lion Nanning was deregistered in May 2009, but was reinstated to good standing and is wholly owned by LII. In preparation for potential opportunities in China, LII had transferred CNY 38,429,875 to Lion Nanning

**NOTE 10. EVENTS SUBSEQUENT TO BALANCE DATE**

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

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## **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 31 December 2010, 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 31 December 2010 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.

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## 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 31 December 2010 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  
Chartered Accountants



M J Hillgrove  
Director – Audit and Assurance

Perth, 11 March 2011.

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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 review of Lion Energy Limited for the half-year ended 31 December 2010, 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  
Chartered Accountants



MJ Hillgrove  
Director – Audit & Assurance

Perth, 11 March 2011.

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