

ASX/Media Release

For Immediate Release – 13 May 2014



LION
energy

More success at Seram project, appraisal drilling to commence shortly

Highlights

- The Oseil-21 development well has been completed as a producing oil well and is flowing at approximately 525 barrels of oil per day
- Oseil and surrounding fields production is currently approximately 3,000 barrels of oil per day (75 bopd net to Lion)
- The positive result follows a recent upgrade of proven reserves and the successful Oseil-26 development well at the Oseil field
- Rig to move to the Lofin-2 appraisal well which is anticipated to spud in late-July or early-August

Lion's CEO Kim Morrison noted "Oseil-21 continues the positive news from the Seram PSC. Combined with the Oseil-26 well it has significantly increased production from the Oseil field complex. We now look forward to the appraisal of the exciting Lofin gas/oil discovery."

The Oseil-21 development well is a follow-up to the successful Oseil-26 well that continues to produce strongly, at a rate of approximately 600 bopd on a 23/64 inch choke, with less than 1% water cut.

Lion, via its wholly owned subsidiary, Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) PSC, located onshore Seram Island in eastern Indonesia. The major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners are KUPPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures that have produced cumulative crude oil production of 12,394,564 bbl since the initial field start-up in January 2003 through to 11 May 2014.

Oseil-21

The Oseil-21 development well was spudded on 24 February 2014. Seven inch casing was set at 2191m / 7190ft MD and 6-1/8 inch open hole was drilled to a total depth of 2375m / 7793ft MD (1948m / 6391ft TVD).

The well was drilled within schedule and on budget.

As of 11 May 2014, the well is producing above expectations at 526 bopd on a 24/64" choke with less than 2% water.

The primary objective Manusela Fm was encountered at 1952m / 6403ft MD (-1511m / -4957ft ssTVD), 113ft high to prognosis. This follows on from the Oseil-26 well where the Manusela was encountered 393ft high to prognosis.

Lion at a glance

- Transforming from a small Indonesian conventional oil and gas player to an Indonesian unconventional oil and gas pioneer.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- New executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute the 2014 business plan.

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Reserves Update

As announced in Lion's quarterly report on 30 April 2014, the Seram joint venture recently received an updated reserves report for the Seram (Non-Bula) PSC from DeGolyer and MacNaughton (one of the most respected companies in reserves consulting services and resource evaluations for energy companies worldwide). The updated report to 31 December 2013 was based on 2013 gross production of 894,000 barrels (2450 bopd). A positive revision to proven reserves (1P) partially offset production for the year (> 55% RRR in 1P in 2013) driven by appraisal drilling success in the Oseil area. Taking into account the results of Oseil-26 and now Oseil-21, it is likely that a further positive revision in reserves will be the outcome in the report to 31 December 2014.

	D&M Reserves Evaluation (Gross)			D&M Reserves Evaluation (Net to Lion)		
	1P (mbbl)	2P (mbbl)	3P (mbbl)	1P (mbbl)	2P (mbbl)	3P (mbbl)
EOY 2012	6,525	10,815	15,138	163	270	378
Production	(894)	(894)	(894)	(22)	(22)	(22)
Revision	472	(559)	654	12	(14)	16
EOY 2013	6103	9362	14,898	153	234	372

1. Hydrocarbon reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the company's operations.
2. Incremental probable and possible reserves are unlikely to be produced before the expiry of the PSC in 2019, and success of the planned joint venture application to extend the PSC beyond this date is likely to be required in order for these reserves to be produced.
3. Reserves have been estimated using the deterministic method.

Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator

Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information, reserve and resource reporting provided in this document are based on and fairly represent information and supporting documentation that has been prepared and/or compiled by Mr Kim Morrison, Chief Executive Officer of Lion Energy Ltd. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has more than 28 years of experience in exploration, appraisal and development of oil and gas resources –including evaluating petroleum reserves and resources. Mr Morrison has reviewed the results, procedures and data contained in this release. Mr Morrison consents to the inclusion of this announcement of the matters based on the information and context in which it appears. Mr Morrison is a member of the American Association of Petroleum Geologists (AAPG).

Glossary

bcf: billion cubic feet
bopd: barrels oil per day
mbbl: thousand barrels

mmbbl: million barrels
MD: measured depth
PSC: production sharing contract

RRR: reserves replacement ratio
ss TVD: sub-sea true vertical depth
TD: total depth

About Lion

Lion Energy Ltd is an ASX listed oil & gas exploration & production company focused on Indonesia, where it has been operating for some 15 years. It has two existing conventional Production Sharing Contracts (PSC's) – Seram and South Block A - and an early mover position in the fledgling Indonesian unconventional industry via four Joint Study Applications.

Lion's leadership team has vast experience in the south-east Asian oil and gas industry, particularly Indonesia. In its recent recapitalisation, two Indonesian strategic investors, Risco Energy and Tower Energy, became substantial shareholders of the company.