

# Quarterly Report

1 October to 31 December 2015



## Production increases 18% for the year

### Highlights

- Production increase by 16% on the preceding quarter
- Continued development drilling with good progress on Oseil-22
- Advanced drilling plans for planned May spud in South Block A PSC
- Unconventional joint studies nearing completion

**Lion Energy Limited (“Lion” or “Company”) continues to make solid operational progress, particularly on the appraisal and development front. In response to market conditions Lion and its joint venture operators have implemented aggressive cost saving measures.**

Average daily oil production from the Seram PSC increased 16% to 4042bopd (95bopd net to Lion) for the quarter, from 3488bopd the previous quarter, driven by successful drilling and completion of the past four development wells (Oseil-21, 26, 27 and 28), which together contributed approx. 2915bopd during December of this reporting quarter. Gross crude oil production for the quarter was 371,891 barrels (8774bbl net to Lion). A crude oil lifting of 425,123bbl was completed on 22 December 2015 (Lion share 10,628bbl). Lion’s share of gross lifting revenue, estimated at approximately US\$0.3mil, is expected to be received in early February 2016.

The daily production rate at the close of the quarter of 4132bopd bodes well for further increment in the current quarter. This compares to 4053bopd at the end of the previous quarter. The completion of development well Oseil-22 and planned drilling of Oseil-23 in the first quarter 2016 is anticipated to further lift production. The operator continues to focus on tight cost control and combined with the rising oil rates the Seram PSC production is profitable at current oil prices.

On an annual basis, production averaged 3346bopd (84bopd net to Lion), up 18% year on year. Lion received sales revenues of US\$1.38mil for the year.

In other activities, good progress has been made on the unconventional joint studies. The final meeting with the regulator, which marks the completion of the studies, are scheduled for early 2016. Planned drilling in the South Block A PSC remains on track for a May 2016 spud. During the quarter Lion CEO Kim Morrison and senior advisors travelled to Banda Aceh to meet with the Governor of Aceh, Mr. dr. H. Zaini Abdullah, and his staff to discuss growing Lion’s involvement in the province.

Lion’s CEO, Kim Morrison noted “Lion continues to make progress across our business despite the challenging industry environment. While reducing costs in response to continued weak oil prices continues to be a key objective across our assets, we are pleased with ongoing production increase from the Seram project. At the same time, we continue to pursue affordable, attractive new opportunities with a focus on production and appraisal assets in the region.”

### Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC’s.
- Net production of around 100bopd from the Seram PSC which also contains the Lofin gas/condensate field.
- An early mover in Indonesia’s fledgling unconventional oil & gas industry.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- Executive team and strategic investors with impressive track records for value creation in Indonesia.

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### Directors & Officers

<b>Russell Brimage</b>	Executive Chairman
<b>Kim Morrison</b>	Chief Executive Officer
<b>Stuart B. Smith</b>	Executive Director
<b>Tom Soulsby</b>	Non-Executive Director
<b>Chris Newton</b>	Non-Executive Director
<b>Zane Lewis</b>	Company Secretary

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## Operations update (4Q-CY15)

### Seram (Non-Bula) Block PSC

Lion, via its wholly owned subsidiary Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block 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 KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 14,313,453 barrels since production started in January 2003 through to 31 December 2015.

As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the PSC and work is ongoing on development options for this resource.

The PSC expires in October 2019 and the joint venture is currently in discussions on strategy for obtaining a renewal of the PSC over the area.

Seram (Non Bula) Block PSC - Location Map



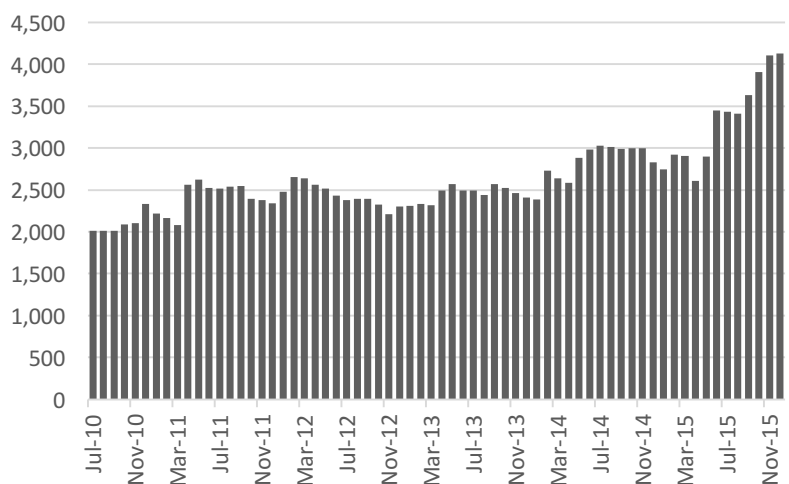
### Production and revenue

During the quarter gross crude oil production from Oseil and surrounding oilfields was 371,891 barrels (8774bbl net to Lion). Daily production averaged 4042bopd (Lion's net working interest being 95bopd, post government entitlement).

The steady uptrend in production has been maintained throughout 2015 and a positive result from the development well drilling at Oseil-28 has lifted field daily production above 4000bopd at quarter end, with the contribution from Oseil-28 averaging 812bopd during December.

Crude oil available for lifting at 31 December was minimal at 28,614bbl, following completion of the final crude oil lifting for calendar year 2015 of 425,123bbl on 22 December.

Seram (Non Bula) Block - Daily Production per Calendar Month (bopd)



### Expenditures

Seram (Non Bula) PSC	Exploration	Development	Production
	US\$	US\$	US\$
Expenditure net to Lion (4Q-CY15) <sup>1</sup>	(1,140)	164,723	203,663

Note 1 – The expenditures herein are Seram PSC results and may differ from Lion's financial reporting due to timing differences

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## Oseil Oil Field

### Phase 3 Development

The Seram joint venture has secured all external approvals for a third phase of development drilling on the Oseil Field (referred to by the regulators as a Plan of Further Development or POFD), with up to 10 wells within the Oseil-2 field. The Phase 3 POFD was formally approved by the Indonesian regulatory body, SKK Migas, on 5 May 2015. Six of the ten wells approved have now been drilled.

The estimated total cost of the remaining four Phase 3 wells and related facilities is approximately US\$40mil (US\$1.0mil net to Lion). The Oseil-23 will be the next well drilled and subsequent wells are contingent upon well results/performance and economics. Reserves to be addressed by each of the four wells is around 0.4-0.6 million barrels. It is expected that the operator will stage the drilling program such that these capital costs can be financed by the free cash flow from the existing production from the field.

The recently completed Oseil-22 development well was the sixth well in the POFD.

### Oseil-22 Development Well

The Oseil-22 well was directionally drilled to target, the Manusela fractured carbonate in the central eastern part of the faulted 4-way dip closure of the Oseil-2 up-thrown fault block

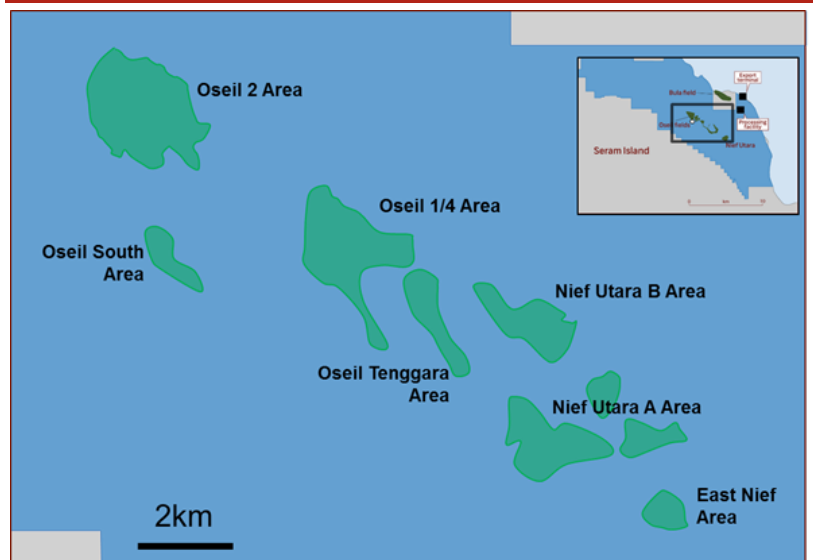
The well spudded on 18 November 2015 and the rig was released, post quarter end, on 12 January 2016. Excluding mobilization and rig up time, the well was drilled, completed and tested in 55 days, 31 days less than the well program projection.

Oseil-22 reached TD of 2332mMD (1864m TVD) in the Manusela limestone objective on 7 January 2015 and was completed with an ESP. As at January 21 the well was being tested through a 12/64" choke at 324bopd with 2% water cut.

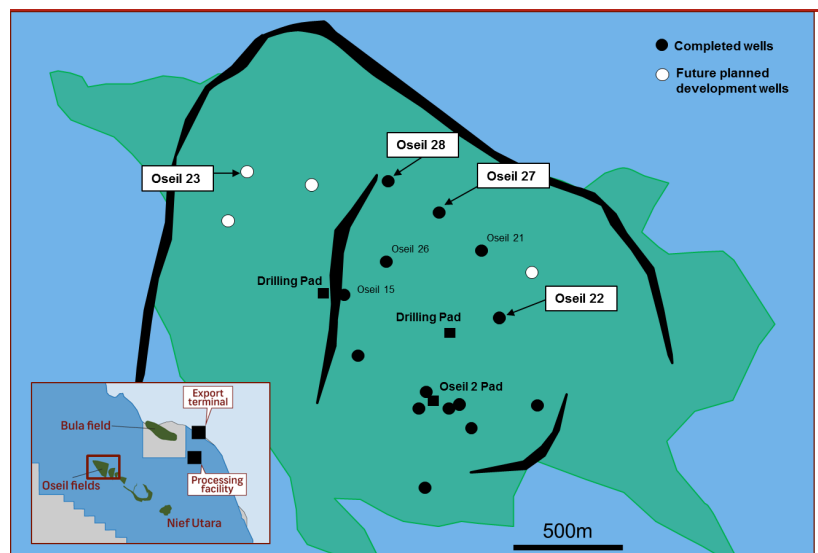
The well was drilled approximately US\$2.5mil under the budget projection of US\$9.75mil and continues the efficiency drive by the operator that has resulted in drilling costs over the past six wells of the Phase 3 program being significantly below projections.

The next well is Oseil-23, which is planned to spud in February 2015, will test the undrilled western portion of the Oseil 2 area.

Oseil field overview



Oseil-2 field area



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## South Block A PSC

Lion has a 35% interest in the South Block A PSC with other participants being RENCO Elang Energy Pte Ltd (51% interest and Operator) and PT Prosys Oil & Gas International (14%).

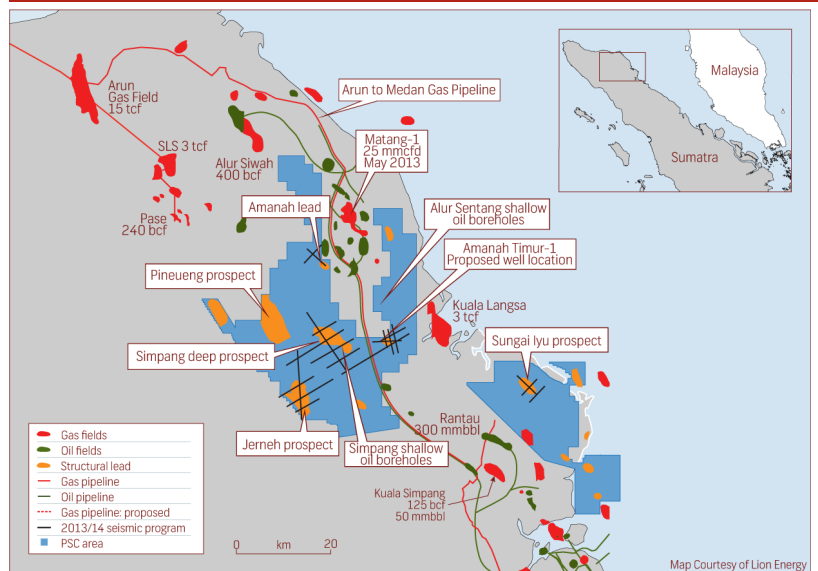
The underexplored block is centrally located in the prolific North Sumatra Basin and contains large structures with attractive gas and oil plays. The region has a strong demand, high priced gas market and a new open access pipeline connected to Medan extends through the PSC acreage.

### Exploration Drilling

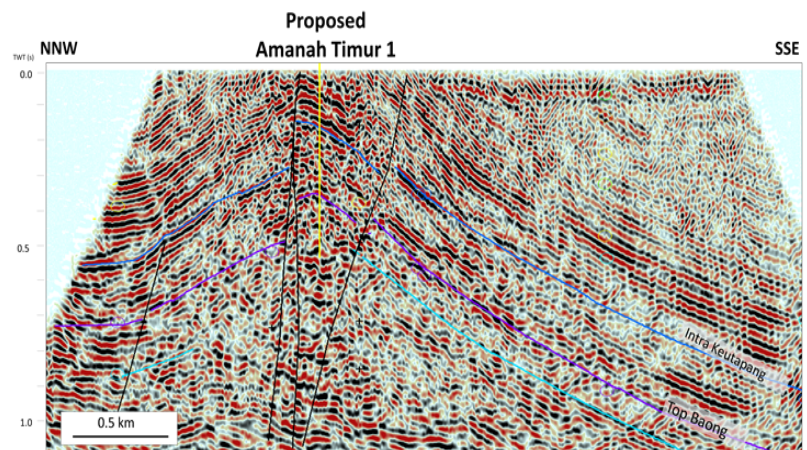
The Joint venture is making good progress planning for the Amanah Timur well, testing the previously named Paya Bili Prospect. The spud date is planned for May 2016. The operator has sent bid documentation with bids received in early January 2016.

This is a shallow, low-cost well (estimated 100% cost approximately US\$2mil) testing a well defined anticline which has existing shallow oil reservoirs that produced approximately 200,000 barrels of oil in a period prior to WWII. The planned well will test this sequence and deeper undrilled gas and oil prospective reservoirs within the objective late Miocene Keutapang section. It has near-term commercialisation potential with good infrastructure in close proximity.

South Block A PSC – location map



Amanah Timur Prospect – seismic section



Amanah Timur Prospect	Prospective resources <sup>1</sup>		
	P90	P50	P10
Oil (mmbbl)	1.1	2.7	6.0
Gas(bcf)	1.4	3.0	6.9
Combined (mmboe)	1.3	3.2	7.2

Volumes for Stacked late Miocene Keutapang objectives

<sup>1</sup> **Prospective resources:** the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

### Expenditures

Cash calls paid during the quarter totalled \$163,765 net to Lion.

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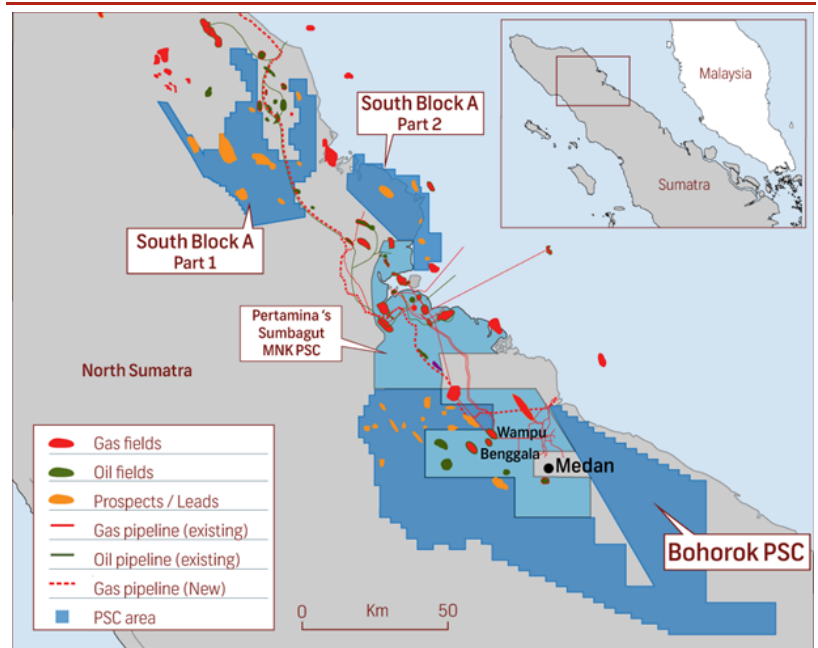
## North Sumatra “Bohorok” Unconventional Joint Study

The unconventional joint study covering 4684km<sup>2</sup> was awarded on 20 February 2015. The Lion joint study area is located to the south of the South Block A PSC in which Lion holds a 35% interest and is in close proximity to the first unconventional PSC in Indonesia awarded to Pertamina in 2013 (Sumbagut MNK PSC).

Lion holds a 55% interest and is Operator of the joint study with the partly overlapping conventional PSC holders (Bukit, New Zealand Oil and Gas and SBL) having 45% interest. The cooperation with conventional holders will allow the joint venture to capture significant synergies between conventional and unconventional exploration.

The North Sumatra Basin is one of the major onshore basins in the SE Asian region with over 25tcf of gas and over 1.3 billion barrels of oil and condensate discovered. Lion’s evaluation recognises that key elements are in place for prospective unconventional (shale gas/oil and tight gas/oil) acreage.

Bohorok PSC and South Block A PSC– location map



Good progress was made on the joint study during the quarter. The study is being jointly undertaken with Padjadjaran University in Bandung. Interpretation of samples obtained from the earlier field trip were analysed and show positive characteristics for shale and tight gas plays with attractive total organic carbon content (TOC) and mineralogy indicating rocks are brittle with high quartz and carbonate content. The final technical meeting with the Indonesia regulator MIGAS, which will mark the completion of the study, is planned for 1Q-2016. The timing of the release of the resultant PSC for tender will be dependant upon MIGAS, at which time Lion and its consortium members will have a right to match any offers for the block.

Interest holders in the Bohorok unconventional joint study application are as follows:

Unconventional Joint Study	Interest
	%
Lion Energy (Operator)	55.00
Bukit Energy	20.25
New Zealand Oil & Gas	20.25
Surya Buana Lestarijaya	4.50

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## Central Sumatra Unconventional Joint Study Area

An unconventional joint study, covering 2481km<sup>2</sup>, located in the east of the Central Sumatra Basin covering part of the Bengkalis Graben was awarded on 20 February 2015.

Lion has a 75% interest in this joint study. The conventional rights holders in the area of the joint study have an option to maintain a 25% interest in the resultant PSC, if awarded, by paying 25% of the joint study costs at completion of the study. Lion in return will evaluate the conventional potential of the area with the opportunity to review an interest if technically warranted. This cooperation between conventional and unconventional rights holders is a key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

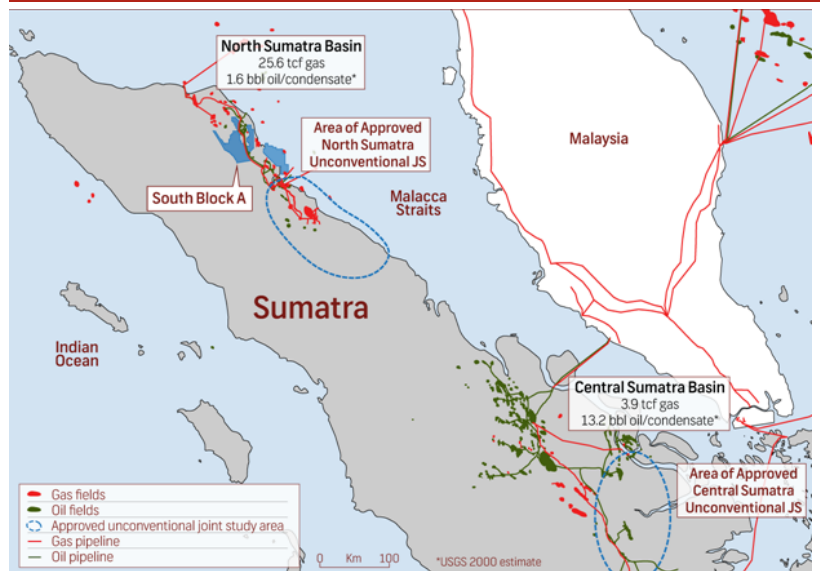
The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depocentres within the province. It hosts major discoveries; encouragement for the unconventional potential (shale gas/oil and tight gas/oil). Evaluation by Lion indicates the prospective source rocks in the area are at a suitable maturity and depositional setting to be highly attractive unconventional targets.

The joint study is being conducted with the Institute of Technology Bandung integrating regional geological and geophysical and creating model of potential unconventional "sweet spots" within the area. The final technical meeting with the Indonesia regulator MIGAS, which will mark the completion of the study, is planned for 1Q-2016. The timing of the release of the resultant PSC for tender will be dependant upon MIGAS, at which time Lion and its consortium members will have a right to match any offers for the block.

Central Sumatra unconventional joint study interest holders:

Unconventional Joint Study	Interest
	%
Lion Energy	75.00
Conventional PSC rights holder	25.00

North and Central Sumatra – Joint Study Areas Location Map



## Unconventional Joint Study Applications

In addition to the two approved joint studies, Lion has submitted two additional Joint Study Applications for potential oil and gas unconventional areas in onshore Indonesia covering a total area of about 10,000km<sup>2</sup>. Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of the applications.

Progress continued during the quarter with ongoing engagement with the Indonesian regulators and other rights holders in the area including discussions with the Governor of Aceh.

Additional details on each of Lion's unconventional projects can be found on the company's website and in the prospectus lodged with the ASX on 6 November 2013.

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## List of tenements

Tenement or licence area	Lion's beneficial interest	Change during the quarter	Comments
<b>Indonesia</b>			
Seram (Non-Bula) Production Sharing Contract	2.5%	No change	Interest held through Lion wholly owned subsidiary Lion International Investment Ltd.
South Block A Production Sharing Contract	35.0%	No change	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX).

## Corporate

### Banda Aceh trip

On 1 December 2015, Lion CEO Kim Morrison accompanied by Lion advisors Mr Sammy Hamzah and Mr Amrullah Hasyim visited Banda Aceh to meet the Governor and his staff. A presentation of Lion's company and plan to grow its business in the Aceh region, which hosts highly prospective parts on the North Sumatra Basin, in both conventional and unconventional oil and gas were discussed. Lion also took the opportunity to visit Syiah Kuala University in Banda Aceh to discuss potential joint technical studies.

Photo taken in Governor of Aceh reception hall



From left: Mr Muhammad Abdullah, Kim Morrison (Lion CEO), Mr dr. H. Zaini Abdullah (Governor of Aceh), Mr Sammy Hamzah (Lion Advisor), and Mr Amrullah Hasyim (Lion Advisor).

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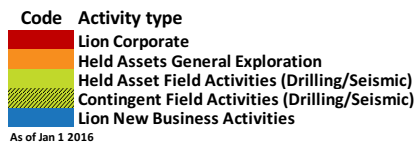
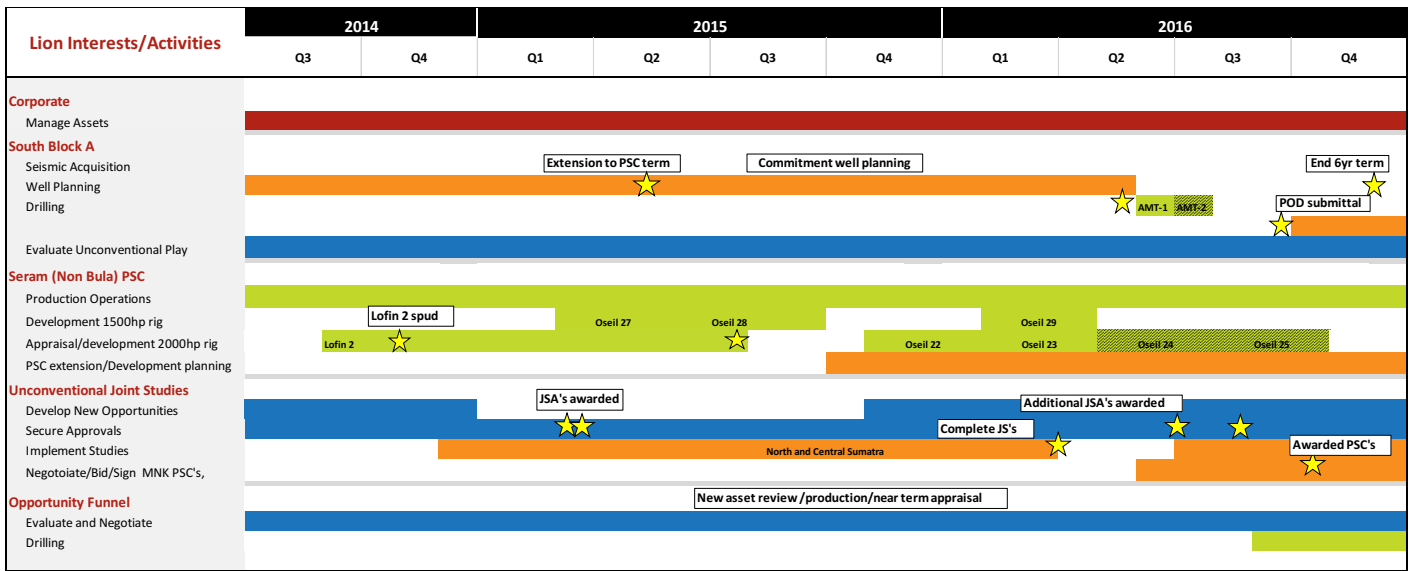
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## Activity schedule

Lion has an active new business evaluation program and is currently reviewing a number of interesting opportunities in Indonesia focussing on producing or near term producing assets. Our 2015-2016 exploration schedule is depicted in the following chart:

### Activity and key event timeline (3Q-2014 to end-2016)



★ Forecast Key Event /News flow

(Note: There is no guarantee that activities shown will occur. In addition, the timing of anticipated activities is indicative only. They are dependant on factors such as Government of Indonesia and Joint Venture approval, rig availability and unforeseen delays)

## 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 is a member of the American Association of Petroleum Geologists (AAPG). Mr Morrison consents to the release of this announcement and to the inclusion of the matters based on the information in the form and context in which it appears.

## Glossary

bbl: barrels	LKG: lowest known gas	psi: pounds per square inch feet
bcf: billion cubic feet	mmscfd: million standard cubic feet of gas per day	tcf: trillion cubic feet
bopd: barrels oil per day	mmbbl: million barrels	ss TVD: sub-sea true vertical depth
BOP: blow out preventer	MD: measured depth	TD: total depth
ESP: Electric submersible pump	PSC: Production Sharing Contract	
FTP: first tranche petroleum		

END