



# Review of operations and forward plans

## Annual General Meeting

July 2014 to December 2015 Reporting Period

Lion Energy Limited  
May 2016

A **New** Approach to Asian Energy

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## 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 Limited. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has over 28 years' 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 presentation. Mr Morrison consents to the release of this report and to the inclusion of the matters based on the information in the form and context in which it appears. Mr Morrison is a member of AAPG.

# Lion Reserves and Resources



Indonesia Reserves & Resources, 31 Dec 2015 (Recoverable, net to Lion) <sup>1</sup>	Gas/Associated Gas Recoverable (BCF)			Oil/Condensate Recoverable (MMbbl)			Method
	1P	2P	3P	1P	2P	3P	
<b>Reserves<sup>1</sup></b>							
<b>Total Reserves<sup>2,3</sup></b>				<b>0.122</b>	<b>0.153</b>	<b>0.216</b>	<b>Deterministic</b>
<b>Contingent Resources<sup>4</sup></b>	<b>1C</b>	<b>2C</b>	<b>3C</b>	<b>1C</b>	<b>2C</b>	<b>3C</b>	
<b>Total Contingent Resources</b>	<b>21.997</b>	<b>50.536</b>	<b>0.26<sup>5</sup></b>	<b>0.240</b>	<b>0.520</b>	<b>0.439<sup>5</sup></b>	<b>Deterministic</b>
<b>Prospective Resources<sup>6</sup></b>	<b>Low</b>	<b>Best</b>	<b>High</b>	<b>Low</b>	<b>Best</b>	<b>High</b>	
<b>Total Prospective Resources<sup>7</sup></b>	<b>66.9</b>	<b>180.1</b>	<b>498.5</b>	<b>3.1</b>	<b>8.7</b>	<b>24.2</b>	<b>Probabilistic</b>

## Notes:

- Reserve estimates have been calculated using the deterministic method. Analysis of performance trends were used to estimate proved developed reserves. The performance trends associated with new well were used to assess how wells scheduled for future drilling would perform for the purpose of estimating proved undeveloped reserves as well as the probable and possible reserves associated with the future wells. Reserves were estimated only to the expiration date of the PSC.
- Includes Undeveloped Reserves which are quantities expected to be recovered through future investments: (a) from new wells on undrilled acreage in known accumulations, (b) from deepening existing wells to a different (but known) reservoir, (c) from infill wells that will increase recovery, or where a relatively large expenditure is required to either recomplete an existing well or install production or transportation facilities for primary or improved recovery projects.
- Undeveloped Probable and Possible reserves are included in this table however it should be noted there is uncertainty on whether these can be recovered prior to PSC expiry in 2019 as they recovery will require significant investment.
- Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
- 3C contingent resources have not been calculated for the Lofin Field. The 3C number provided refers to Oseil area only.
- Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery (geological chance of success or GCOS) and a chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. There is no certainty that any portion of the prospective resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources. For the prospective resources, an oil case has been estimated below the total depth of the existing Lofin-1 ST well.
- Aggregation method. Prospective Resources in this Table have been estimated probabilistically at lead level but combined arithmetically to provide the portfolio number. The aggregate P90 may be a very conservative estimate and the aggregate P10 may be a very optimistic estimate due to the portfolio effects of arithmetic summation.
- No prospective resources provided for the Unconventional Joint Studies or Joint Study Applications as these have not yet been converted to PSC's as at 31 Dec 2015.

# Reporting period (July 2014-Dec 2015) - Highlights



Outperformed appraisal/production forecasts, adjusting course to conventional growth strategy

## Operations

- Lofin-2 appraisal well in Seram (Non-Bula) PSC highly successful with up to 1300m gas column defined and Contingent Resource (2C) of 2.02 tcf (50 bcf net to Lion)
- Successful ongoing Oseil development drilling, increasing production to average 3222 bopd (80 bopd net to Lion) for the period 1 July 2014 to 31 December 2015 (2589 bopd in previous financial year), current 4175 bopd
- South Block A PSC: 183 km 2D seismic survey high-graded portfolio; planned 2016 drilling of shallow low risk oil well
- Two unconventional joint studies completed post year end with positive results, progress on other unconventional joint study applications over North and Central Sumatra Basins, provide low cost options over large areas
- Active new business initiatives with focus on acquiring production assets

## Organisation

- Cost reductions across the company reducing monthly administration costs, Board recently approved further reduction in management remuneration, monthly G&A ~US\$60,000
- Focus on reducing joint venture operating costs seeing dividends: Seram and SBA PSC G&A reductions
- Maintain highly skilled team, adding Indonesian advisor

## Financial

- Prudent financial management, cash balance 31 March 2015 \$US1.75mil
- Seram project now cashflow positive, ~US\$40,000 per month net at current oil price
- Sufficient cash forecast for commitments through next 12 months; funding initiatives for new projects a key priority

# Lion overview

Prudent cash management, focus on developing assets & production growth

## Capital structure

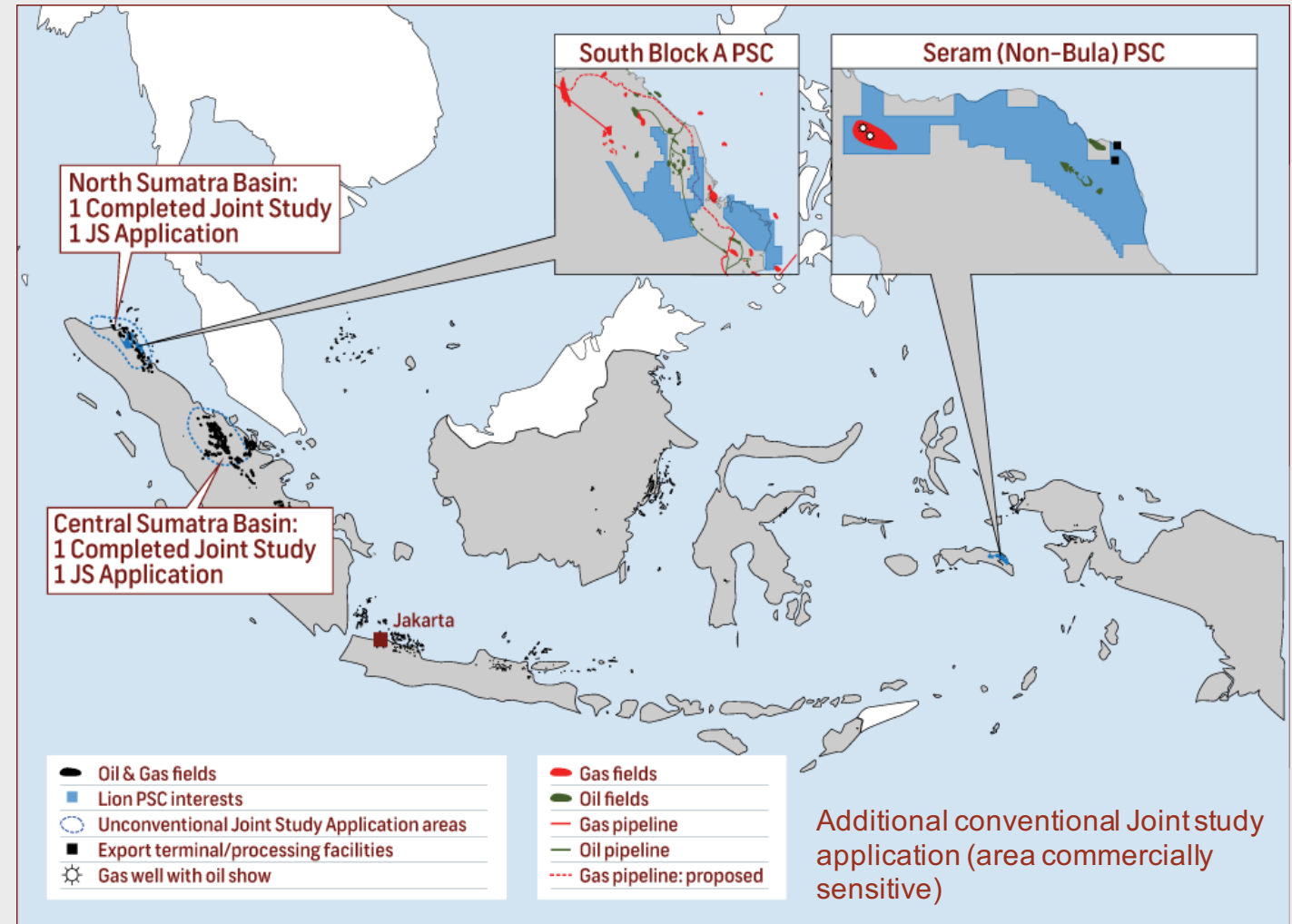
- Shares on issue: 96.2m
- Market cap@4.5cps: A\$4.3 million
- Cash: US\$1.75mil (31/3/2015)

## Major shareholders:

- Risco Energy Investments (54.7%)
- Tower Energy (6.6%)
- Management (13.5%)

## Assets:

- Seram PSC (2.5%) - production
- South Block A (35%) - exploration
- Two unconventional joint studies
- Two unconventional JS applications
- One conventional JS application



Additional conventional Joint study application (area commercially sensitive)

# Lion Management

Well rounded team, proven track records



- 35+ years experience in oil and gas
- Founder of Oilserv Australia Ltd, providing drilling, well testing and production services
- Former CEO of Western Resources NL, Entek Ltd and GM of a WA gas field operator

**Russell Brimage** Chairman



- Exploration geologist, 30 years of international experience including a strong SE Asian focus
- Senior roles with Woodside, Shell, Marathon
- Co-founded KRX Energy in 2010 which became part of Lion in 2014

**Kim Morrison** Managing Director and CEO



- Founding Director of Risco, former Director at PT Energi Mega Persada (EMP)
- Responsible for adding over 500mmboe 2P reserves through M&A in last 10 years
- Accounting and Investment banking background KPMG, UBS and ANZ

**Tom Soulsby** Non Executive Director



- Founding Director of Risco, former CEO of EMP, President of Santos Indonesia; MD, Fletcher/Shell in Brunei & President of IPA.
- 35 years experience, 14 in Indonesia in leadership, technical and commercial roles
- Geologist background, post graduate qualifications in finance and investment

**Chris Newton** Non Executive Director



- Chartered Accountant, 20+ years in the Energy industry. Formerly Head of Oil & Gas Research for Asia Pacific with Merrill Lynch
- Leadership roles with private E&P companies, including CFO of leading Indonesian CBM company Ephindo Energy

**Stuart Smith** Executive Director



- Founder of Tower Energy; Founder/CEO of Ephindo, Indonesia's leading CBM company
- Senior management positions at: Unocal and Chevron Indonesia; Siemens; and Lafarge
- Excellent Government/Industry relations; Board Member of IPA and KADIN

**Sammy Hamzah** Principal Advisor

# World class expertise

Pre-eminent panel of industry advisors, wide-ranging skill set



## Mr Roger Whyte Principal Advisor

- Geophysicist with extensive SE Asia exposure, Co-founder of KRX which is now a wholly owned subsidiary of Lion
- Excellent technical and management skills Indonesia Country Manager, Oilex; MD/CEO GulfX Limited; Commenced career with Shell, senior roles Union Texas, Trend Energy

## Mr Michael Ellis Technical Advisor

- Drilling/Operations Engineer with 34 year in majors through small companies including US unconventional experience
- 20+ years in Jakarta & KL for ARCO, BP, Hess & Pexco. VP Exploitation for Maxus-YPF Repsol, responsible 150,000 bopd production

## Mr Amrullah Hasyim Advisor

- 30+ years experience in the oil & gas industry.
- Extensive operations, technology and business development experience.
- Has held senior positions with international service company, Halliburton Energy Services and Ephindo Energy Private Limited

## Dr Andrew Cullen Technical Advisor

- Petroleum geoscientist (BSc, MSc and PhD)
- Involved in international and Nth American discoveries/reserves additions >700 mmboe
- Senior Advisor to Chesapeake Energy working on major unconventional projects
- Nearly 20 years with Shell in Nigeria, Malaysia, the Netherlands and the US

## Dr Harold Williams Technical Advisor

- Geochemist (BSc, MSc and a PhD) with strong unconventional expertise, Shale gas experience in Western Canada, Australia (NT) and Europe
- Senior technical positions with Caltex in Indonesia and published widely-cited papers on Sumatran petroleum systems.
- Strong operations experience with geological supervision of unconventional wells.

## Mr Zane Lewis Company Secretary, Accounting

- Principal and joint-founder of corporate advisory firm SmallCap Corporate,
- Wealth of knowledge obtained from diverse financial and corporate experience
- Member of Chartered Secretaries Australia.

# Indonesian investment rationale update

Continues to have strong, resilient economy with solid growth (5-6%)

- Currently worlds 16th largest economy with predictions to be 7th largest economy by 2030
- Population currently 250 mm, forecast to be 263 mm by 2020
- Present Joko Widodo focused on infrastructure
- 2011-2025 development plan comprises US\$440 billion expenditure (US\$196 billion assigned on roads, railways, ports and power plants)
- Electricity growth forecast of 8.7% pa over next 10 years
- Gas consumption growth 5% pa+ (set to become net gas importer)
- With declining oil/gas production from aging assets and investment downturn due to oil industry conditions, Government (at last) taking significant steps to improve fiscal terms and reduce bureaucracy

***Lion ideally placed with our assets, skills and strategy to execute in this energy hungry, dynamic country***

*Source: Investing in Indonesia 2015 KPMG report, Lion internal*

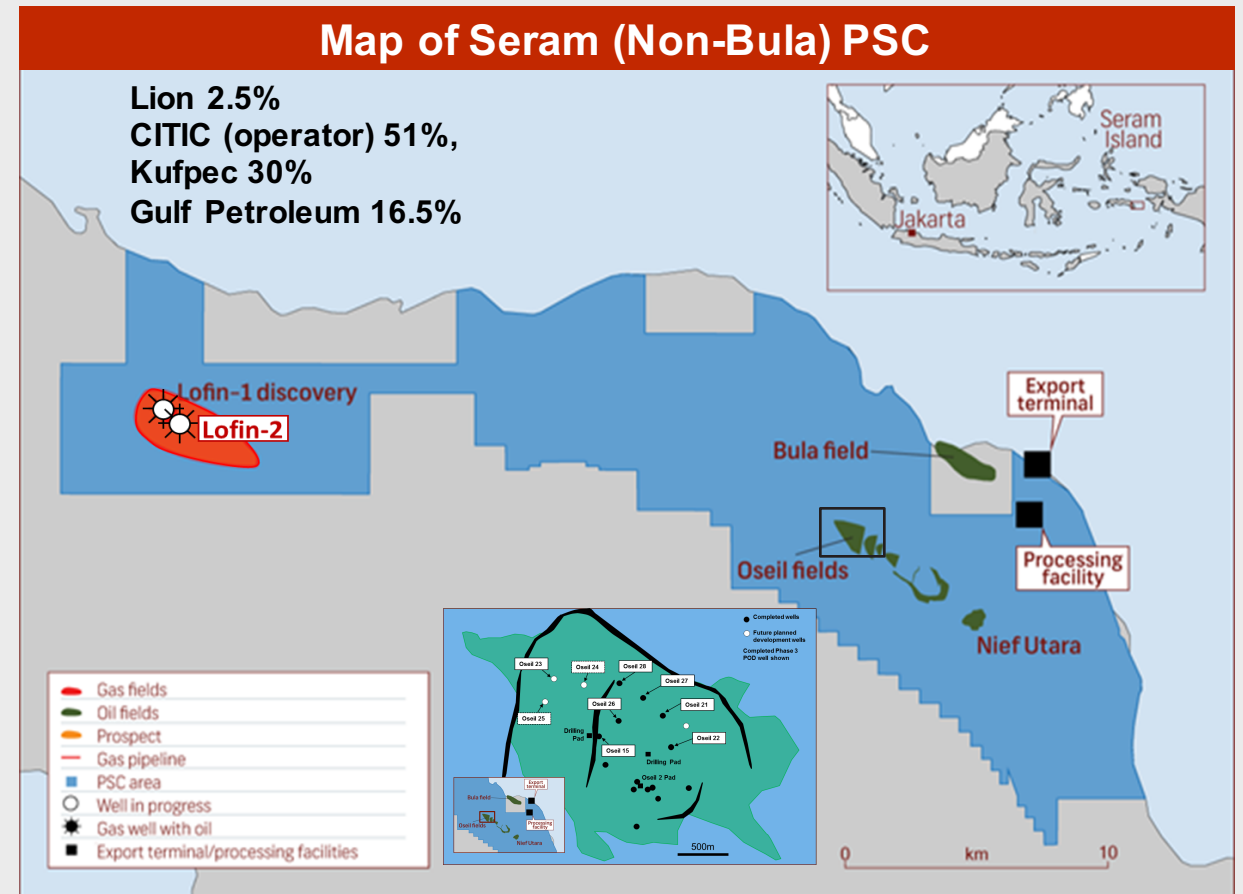
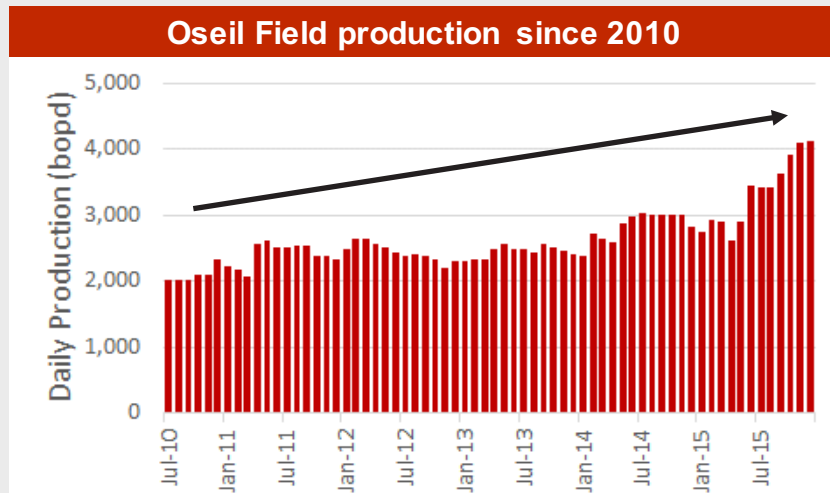




# Seram (Non-Bula) PSC Overview

Appraisal and development success, cash flow positive at current prices (~US\$40K pm net)

- Current Oseil Field production ~4175 bopd (~104 bopd net), 4.9 mmbbl 1P reserves (100%)
- Recent development success has increased production from ~2000 bopd in 2010
- Operating cost for Dec. 2015 quarter ~US\$15.27 per barrel - Operator continuing to work on cost reductions
- Lofin appraisal success - 2tcf contingent resource (2C)
- PSC expiry Dec 2019, JV working on renewal

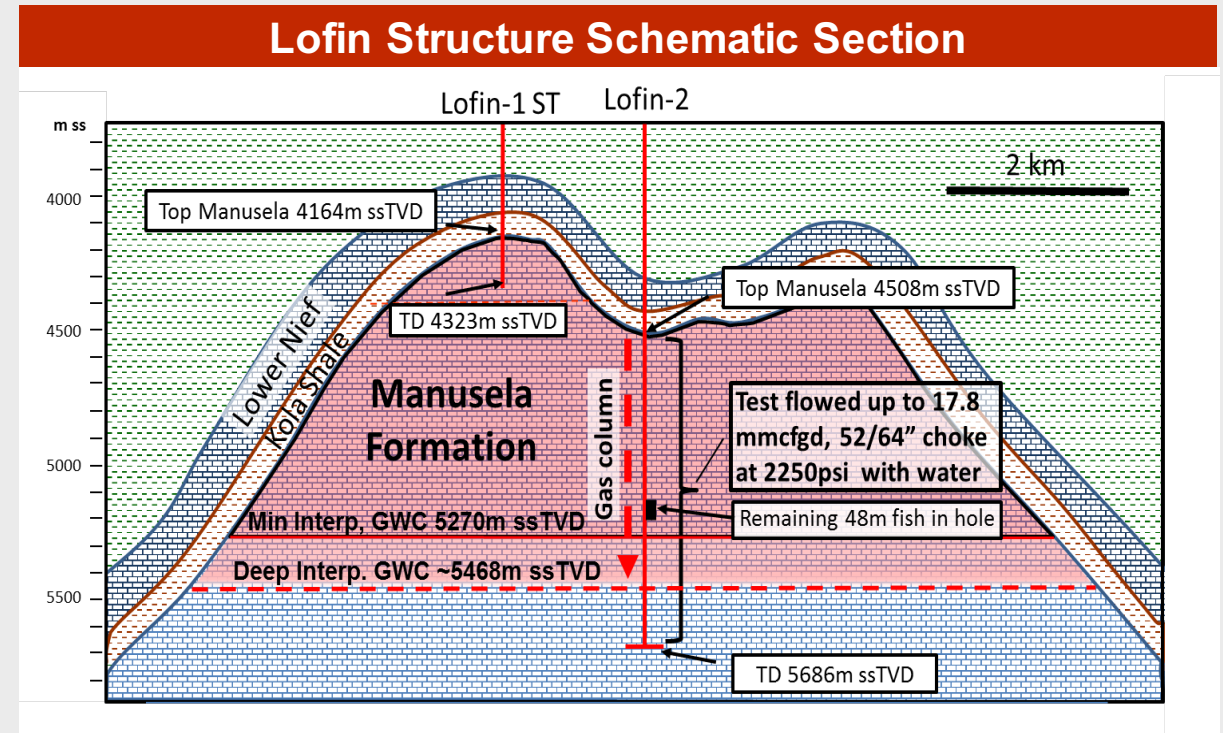


# Milestone Lofin Discovery

2 tcf gas / 18.3 mmbbl condensate 2C contingent resource\*/Lion Share 50 bcf /0.5 mmbbl

- Appraisal of 2012 Lofin discovery, test of hydrocarbon column extent in fractured Manusela Formation limestone
- Reached total depth of 5861m MD in May 2015
- Gas test at up to 17.8 mmcfd on 52/64" choke (2250 psi flowing pressure), some water interpreted from lower part of well
- Wireline pressures, tests and samples indicates 1106-1300m continuous gas column
- Contingent resources\* (2C Best Estimate) for Lofin discovery: 2020 bcf gas and 18.25 mmbbl condensate (100% basis)
- Lion 2.5% working interest share of 2C contingent resources: 50 bcf gas and 0.46 mmbbl condensate

\* see page 3 for definition



Development options include LNG based on Sulawesi's single train Donggi Senoro project

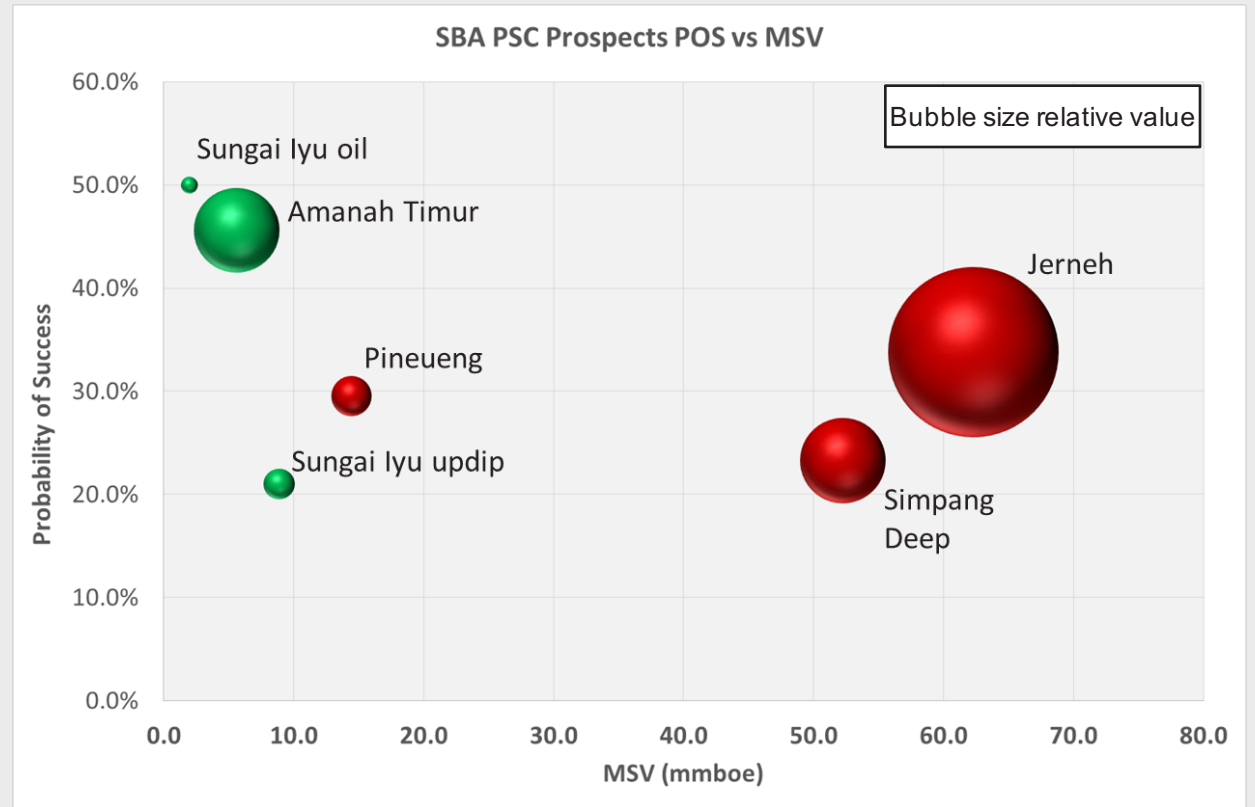


# South Block A PSC Portfolio (Lion equity share 35%)



100% prospective resource (unrisked): 191-1424 bcf gas, 9-69 mmbbl oil/cond (top 6 prospects)

- 2014 seismic delineated highly material portfolio
- **Oil**
  - Amanah Timur Prospect: low risk, low cost oil near term production potential
  - Follow up Sungai Iyu oil trend
- **Gas/condensate** (strong gas market in region)
  - Jerneh: company maker gas/ condensate prospect
  - Follow up Simpang Deep, Pineueng
- Offshore Belumai leads
- Under-evaluated tight gas potential



South Block A PSC 100% Prospective Resources<sup>1</sup> top 6 Prospects

Prospect	Phase	HC Gas Recoverable (bcf)			Oil/Cond Recoverable (mmbbl)			POS <sup>2</sup> %
		P90	P50	P10	P90	P50	P10	
Jerneh	Gas/cond	63.7	222.8	760.2	1.5	5.3	17.6	34%
Simpang Deep		97.1	219.6	507.8	2.9	7.0	14.6	23%
Pineueng		28.2	67.6	146.2	0.5	1.2	2.7	27%
Amanah Timur	Oil/mnr gas	2.0	4.5	10.0	1.7	3.9	8.8	46%
Sungai Iyu Oil					0.5	1.4	3.9	50%
Sungai Iyu updip					1.61	5.92	21.05	21%
<b>Total</b>		<b>191.0</b>	<b>514.5</b>	<b>1424.2</b>	<b>8.6</b>	<b>24.8</b>	<b>68.7</b>	

<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. Arithmetic addition means low side (P90) number is overly conservative and high side (P10) number is overly optimistic  
<sup>2</sup>POS = probability of success

# Amanah Timur Prospect

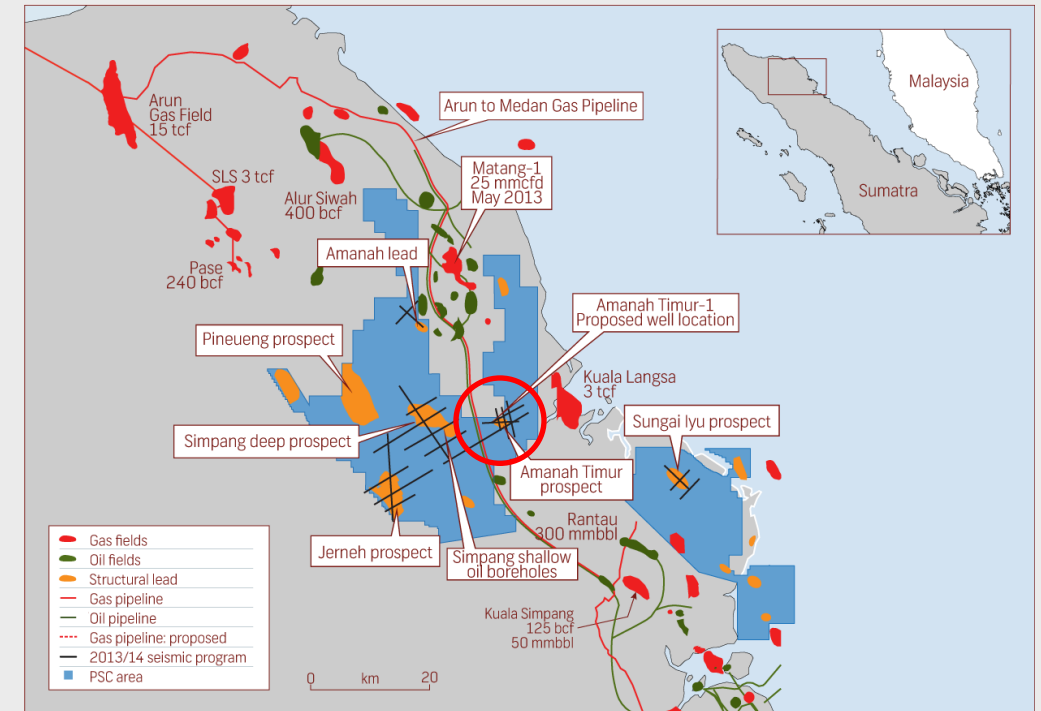
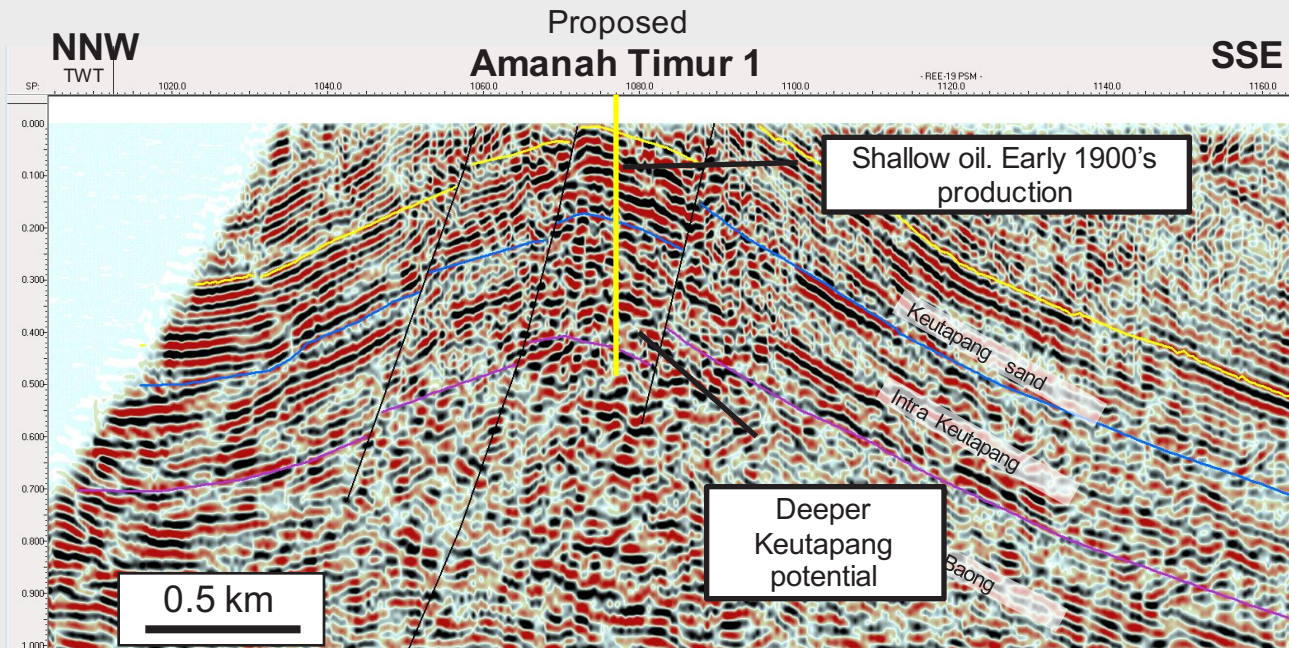
Well defined anticline on proven oil trend with manageable well cost and good upside

- Pre-war field produced ~200,000 bbls from shallow Keutapang,
- Unswept and recharged oil likely, deeper sands undrilled
- Near term production potential, close to oil and gas infrastructure
- 700m well will test prospect

**Prospective resource<sup>1</sup> unrisked (100%): POS 46%**

- Oil/cond (mmbbl) P90: 1.7 P50: 3.9 P10: 8.8
- Gas (bcf) P90: 2.0 P50: 4.5 P10: 10.0

*Volumes for four zones*



Planned Q4 2016, well cost est. 100% ~US\$1.0mm (Lion share ~US\$0.35mm)

**<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.

# Jerneh Prospect

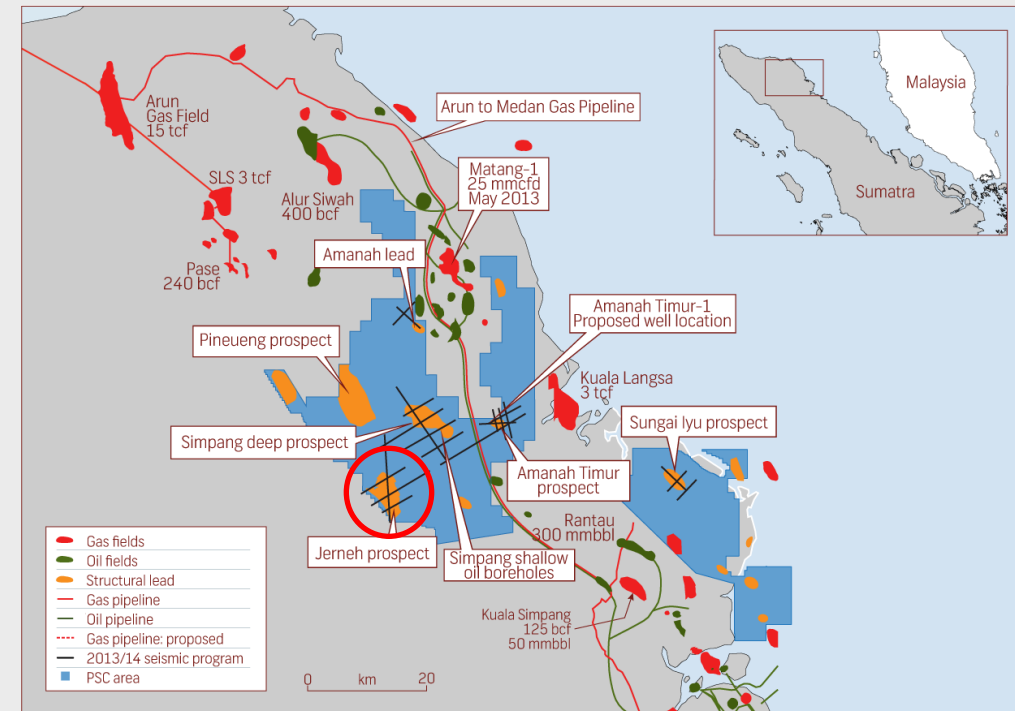
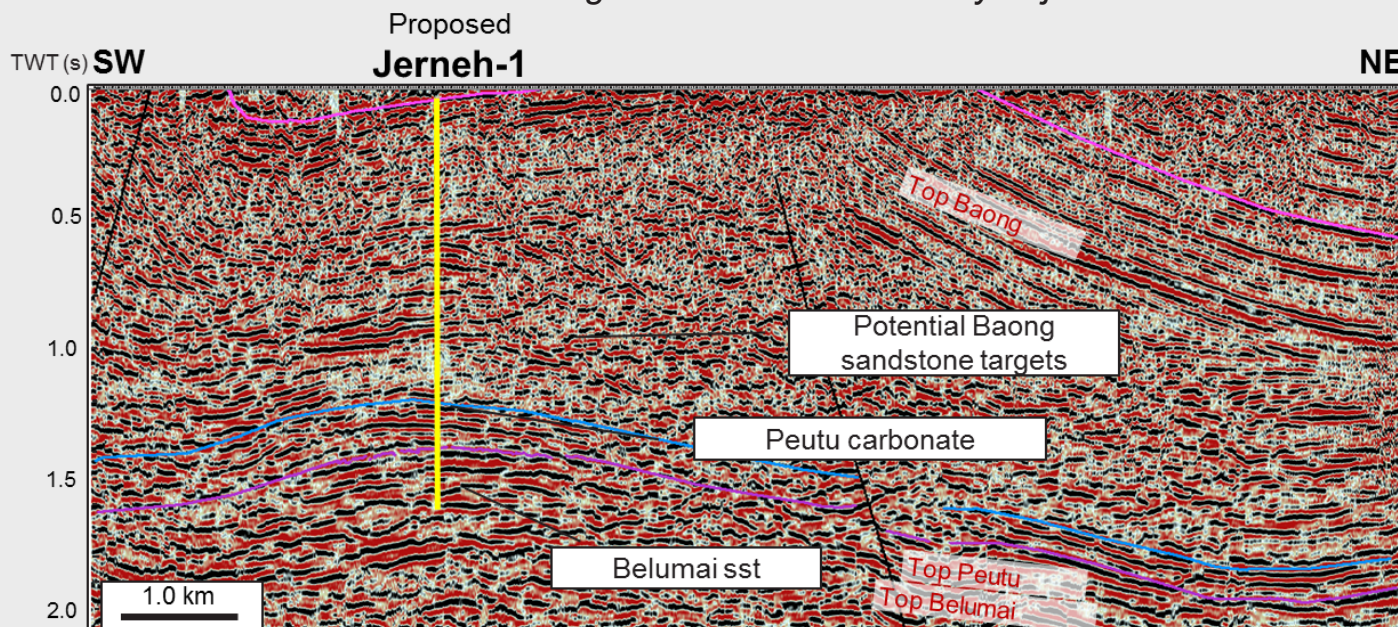
Largest undrilled structure in onshore North Sumatra, world-class potential (64-760 bcf)

- 7.9 km<sup>2</sup> 4-way, up to 63 km<sup>2</sup> sub thrust closure
- Analogue with PASE (240 bcf) and Matang (up to 400bcf) fields
- Primary objectives: Early Miocene Peutu Lst and Belumai sst
- Well to 1900m would test structure

**Prospective resource<sup>1</sup> unrisked (100%): POS 34%**

- Gas (bcf) P90: 64 P50: 223 Mean: 329 P10: 760
- Cond (mmbbl) P90: 1.5 P50: 5.3 Mean: 7.5 P10: 17.6

Volumes not estimated for Baong sandstones secondary objective



Optional 2017 well, cost est. 100% ~US\$6.5mm (Lion share ~US\$2.3mm), reviewing funding options

<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.

# Aceh and North Sumatra under supplied gas markets,

High growth potential, re-gassified LNG alternate provides strong gas price expectation

## Existing Supply:

- Block B and NSO, now Pertamina, in rapid decline and likely abandoned in a few years without further investment.
- Arun plant stopped exporting in 2014 and converted to LNG regasification terminal. LNG from Tangguh and Bontang.
- New 340 km pipeline connects regas terminal to Medan (right through SBA PSC)

## New Supply

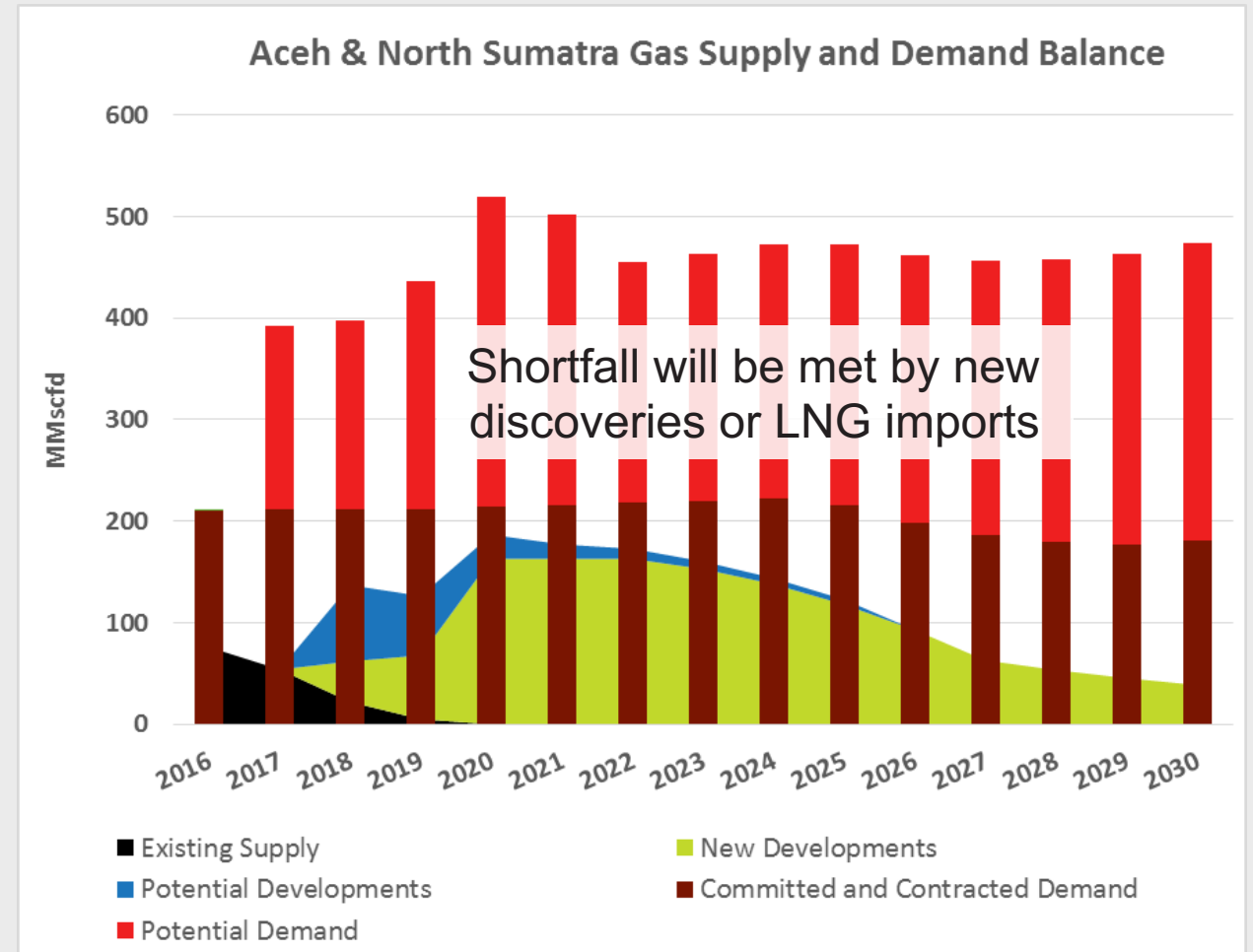
- Block A under development with first gas ~2018 at 80 MMscfd
- Offshore development potentially in 2020 at circa 100 MMscf

## Demand

- PIM (fertiliser), local supply in Aceh
- Medan (Indonesia's 3<sup>rd</sup> largest city) significant industrial and power demand. Growth potential in new gas connected industrial estates

## Swing Supply

- LNG will act as the swing supplier to balance the market given its price and storage attributes.
- New discoveries compete with re-gassed LNG



**Strong business case for drilling exciting (64-760 bcf) Jerneh Prospect in 2017**

# Lion Unconventional Update



Joint studies in prolific North & Central Sumatra basins completed, Lion has priority rights

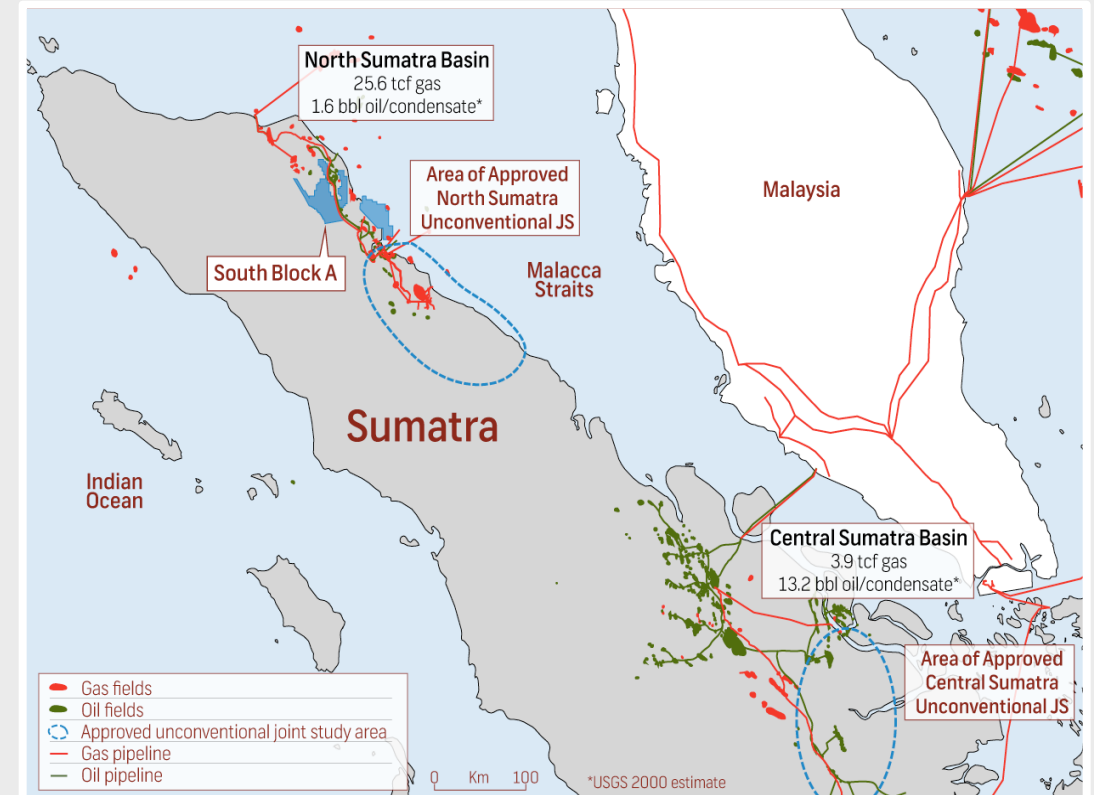
## North Sumatra - Bohorok (Lion 55%) Joint Study with Padjadjaran University in Bandung

- Field trip obtained >300 surface cores, analysis positive with significant shale/tight gas and oil potential
- Waiting on new terms (late 2016 or 2017 gazettal?)

## Central Sumatra - Bengkalis (Lion 75%) Joint Study with ITB in Bandung

- Bengkalis Graben located in the east of the prolific Central Sumatra Basin, hosts major discoveries.
- Study confirmed unconventional potential in graben areas - currently seeking MIGAS approval to add additional graben areas
- Likely 2017 gazettal

***Provide low cost options over large areas with anticipated new incentives for exploration and improving investment environment***



***Current unconventional PSC's 40-50% Contractor profit. Government anticipated to release new unconventional contracts with improve flexibility/better terms. Cooperation/alignment encouraged between conventional and unconventional licences.***

# New Business Strategy

Low oil price and stressed companies provide opportunities for astute operators

## Guiding principles

- Heartland positions in proven basins
- Low risk conventional assets with near term production potential
- Close proximity to infrastructure and robust markets with accessible terrain
- High working interest, operatorship
- Assets that play to Lion's expertise
- Clear funding strategy with manageable obligations
- Looking at win-win cooperation agreements, leveraging our strengths

## Status

- Lion has reviewed over 25 projects in detail in past 2 years
- 10 ongoing active evaluations
- Primarily onshore Sumatra
- Also looking more regionally given opportunity rich environment



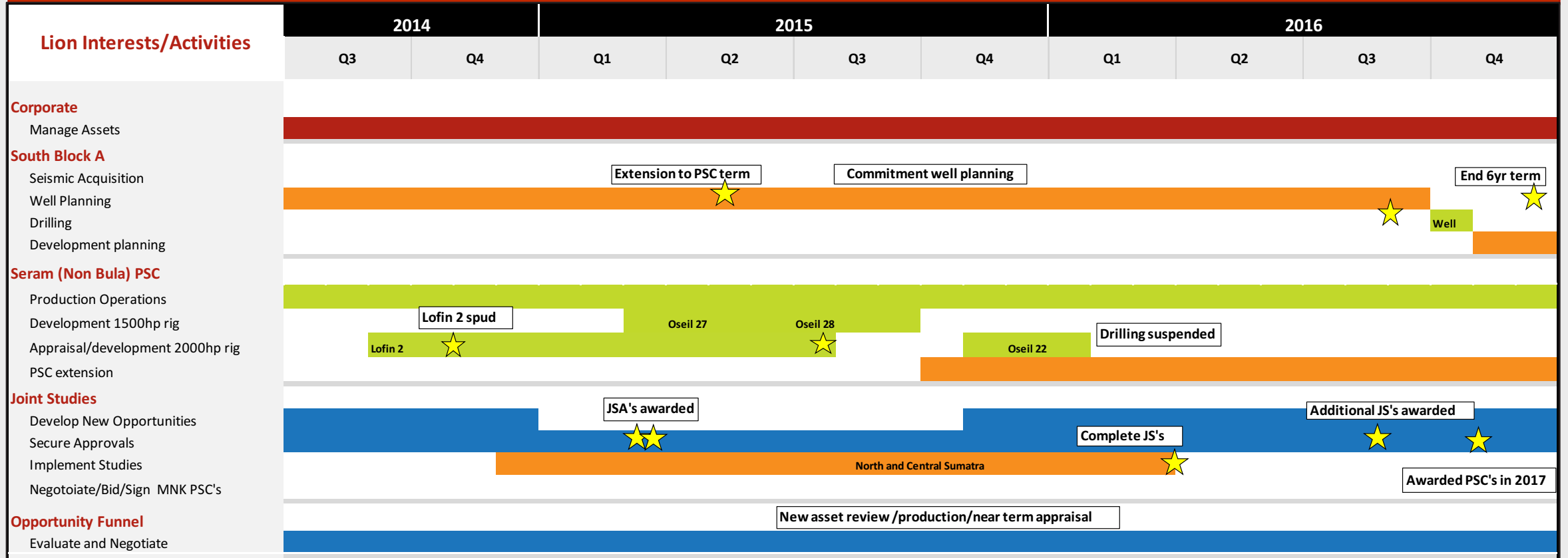


# Lion Activity Schedule

Active, fully funded program through 2016



## Lion Activity and Key Event Timeline mid 2014-2016



**Legend**

**Code Activity type**

- [Red] Lion Corporate
- [Orange] Held Assets General Exploration
- [Light Green] Held Asset Field Activities (Drilling/Seismic)
- [Dark Green] Contingent Field Activities (Drilling/Seismic)
- [Blue] Lion New Business Activities

**★ 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)

# Strategy - adjusting course to conventional growth trajectory



Balancing cash, developing assets, maintaining options & seeking new opportunities

## Challenges:

- Funding in current oil industry environment
- Declining cash balance (although buffered by Seram free cash flow)
- Line of sight to additional production
- Current low market cap of Lion
- Competition in Indonesia for production assets

## Our response:

- Sensible investment in existing assets
- Focussed effort to land attractive Indonesia deal/s
- Seeking partnerships which leverage our strengths (management team, existing assets, database)
- Looking outside of Indonesia where we have a competitive advantage
- Pursuing funding options (link with new opportunities)
- Cash preservation measures:
  - Further management remuneration and overhead reduction
  - Successful engagement with joint venture operators to reduce overheads

***"Our pipeline of held and target opportunities have significant growth potential for Lion shareholders, particularly given our forecast recovery in the small cap sector on the back of recent oil price strength"***

*Kim Morrison, Lion CEO*



# Thank you

For more information please contact:

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