

Quarterly Report

1 January to 31 March 2017



Lion drills North Sumatran discovery well

Highlights

- Amanah Timur-1 (AMT-1) exploration discovery well drilled in January with planning advanced for AMT-2 appraisal well
- SBA PSC granted 4 year extension
- Gross production from the Seram PSC was 313,181 barrels (average 3480bopd) for the quarter
- US\$519,000 received from record December 2016 lifting
- Progress on new business including exciting Eastern Indonesia conventional Joint study completed

Lion Energy Limited ("Lion" or "Company") is pleased to report drilling of the AMT-1 discovery well was completed early in the quarter with appraisal well planning advanced at quarter-end. Steady production continued in the Seram PSC from the Oseil oilfield, with revenue received in the quarter from the record crude oil lifting late December of US\$519,000. On the new business front, Lion completed our exciting conventional joint study in Eastern Indonesia over a highly prospective area. Other progress included advancing both near term production opportunities and an unconventional study application in Sumatra.

In the South Block A PSC (Lion 40.7%), the Amanah Timur oil and gas prospect exploration well AMT-1 was drilled to total depth of 347m and encountered strong gas and good oil shows from at least three of interpreted hydrocarbon zones. The well was plugged and abandoned as a discovery following unsuccessful attempts to free stuck drill pipe. Encouraged by the positive result, the joint venture has made good progress in planning for the AMT-2 appraisal well which will qualify for the submission of a Plan of Development to be submitted to the regulators. The drilling of the AMT-1 completes the SBA PSC's firm commitments and the joint venture was advised by the Indonesian regulator in January 2017 that the block term has been extended an additional four years.

Production from the Seram PSC continued to perform solidly during the quarter. Average daily oil production was 3480bopd (87bopd net to Lion) for the quarter, down marginally from 3512bopd the previous quarter. Production at quarter end was 3503bopd. Gross crude oil production for the quarter was 313,181bbl (7389bbl net to Lion), with operating costs for the quarter of US\$11.78/bbl. Proceeds of US\$519,345 from the December 2016 crude oil lifting were received in January 2017. A lifting of around 400,000bbl is expected in the current quarter.

At the end of the quarter, the Company had cash of US\$1.083mill, plus approximately US\$100k in share of joint venture bank accounts.

Lion's CEO, Kim Morrison, noted "Lion is excited by appraisal plans for the AMT discovery, targeting accelerated commercialisation and development. We also continue to advance new business opportunities and made good progress on the joint study front supported by continual steady crude oil production from the Seram PSC."

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia; two conventional PSC's.
- Net production of around 80bopd from the Seram PSC which also contains the Lofin gas/condensate discovery.
- 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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Operations update (1Q-2017)

Seram (Non-Bula) Block PSC

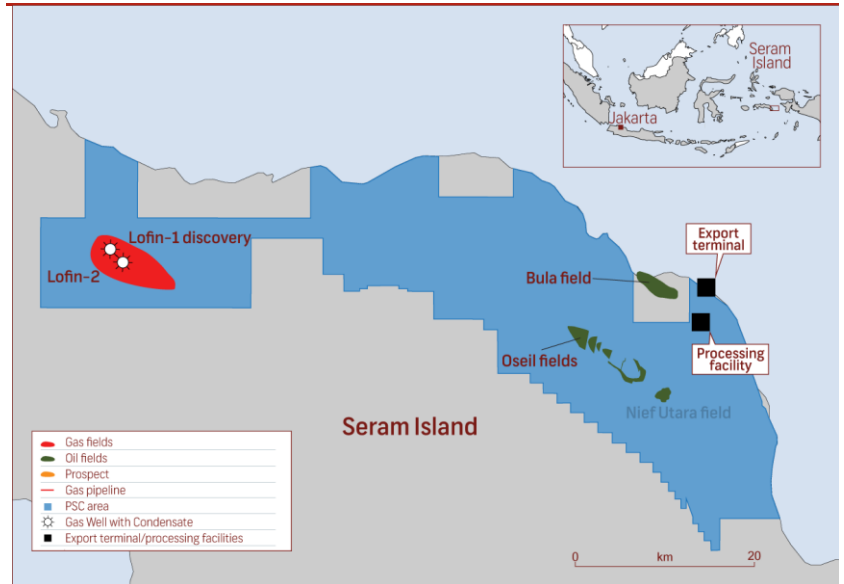
Lion, via its wholly owned subsidiary Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block PSC, located onshore Seram Island in eastern Indonesia. The major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners 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 16,019,443 barrels since production started in January 2003 through to 31 March 2017.

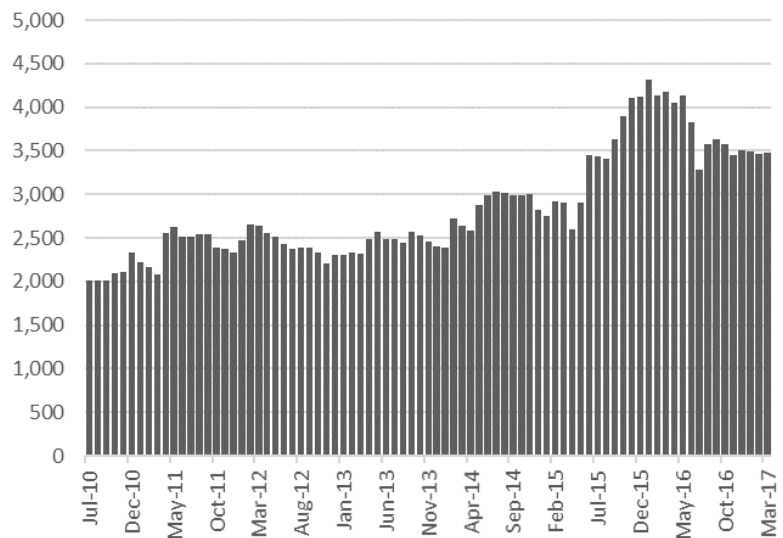
As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the PSC.

The PSC expires end October 2019 and the JV is working at all levels to secure an extension or renewal of the PSC over the area.

Seram (Non Bula) Block PSC - location map



Seram (Non Bula) Block - daily production per calendar month (bopd)



Production and revenue

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 313,181bbl (7389bbl net to Lion). Daily production averaged 3480bopd (Lion's net working interest being 82bopd, post government entitlement).

During the quarter:

- An electric submersible pump (ESP) was installed at Oseil-5. The well has been off production since November 2015. The well was on stream 21 February 2017 and produced approximately 50 barrels of crude oil in the full month of March 2017.
- An ESP was replaced at Oseil-2/ST2 well. The pump failed 27 February 2017 and was back on stream 7 March 2017.

Crude oil available for lifting at 31 March 2017 was 313,612bbl with a lifting scheduled for late-April 2017 of approximately 400,000bbl of crude oil, with revenue from the lifting expected early June 2017.

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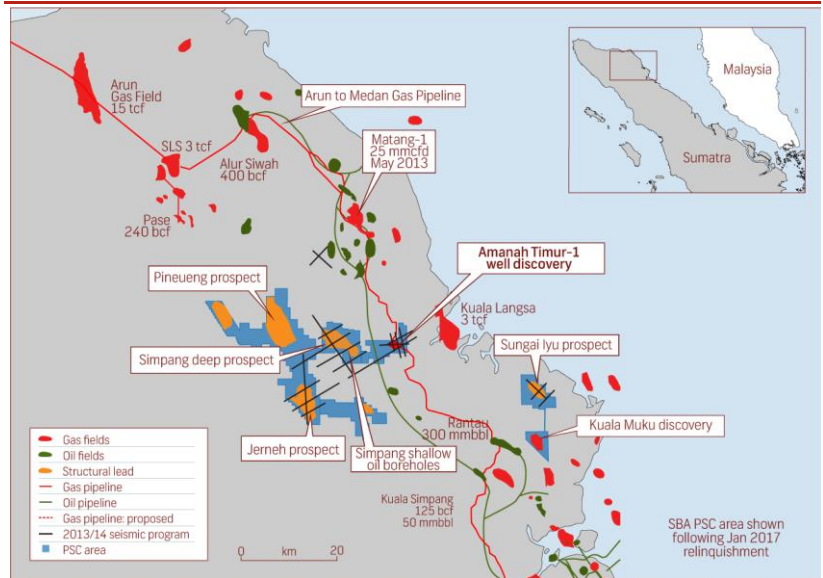


South Block A PSC

Lion has a 40.7% interest in the South Block A PSC (SBA) with the other participant being Renco Elang Energy Pte Ltd (59.3% interest and Operator).

Following drilling of the AMT-1 well the Indonesian regulator for the region, BPMA, extended the SBA PSC exploration term for an additional four years, effective from 22 January 2017. The remaining area of the PSC of 421km² was delineated following a thorough technical review by the JV to ensure all identified prospects and leads were included in the area. The “non-firm” work program in the extension period comprises 3 wells and 50km² of 3D seismic. Progress will be reviewed by the regulator after 2 years and failure to either complete the program, or have a Plan of Development submitted, may result in expiry of the PSC with no financial penalty to participants.

South Block A PSC – location map



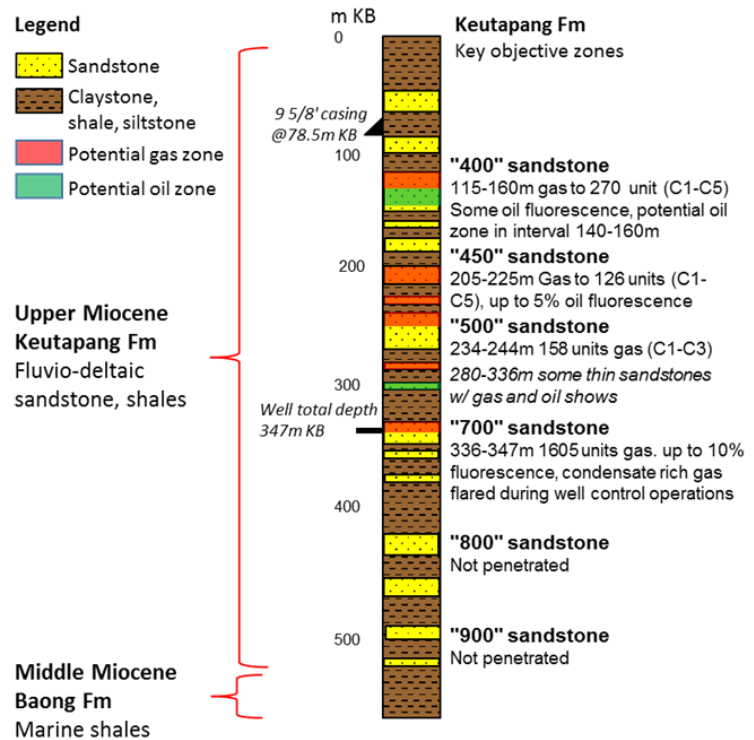
Amanah Timur-1 summary

The AMT-1 discovery had a planned total depth of approximately 570m KB and was designed to test 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 well spudded on 3 January 2017 and 9 5/8” casing was set at 78.5m KB. The well drilled an interbedded sandstone, claystone, shale and siltstone section within the Late Miocene age Keutapang Formation in 8 1/2” hole. Key objective intervals were penetrated between 26-58m high to pre-drill prognosis with strong gas and good oil shows with at least three hydrocarbon zone interpreted (“400”, “450/500” and “700” sandstones). The total depth of 347m KB was reached on 11 January 2017.

High gas readings encountered from the “700” sandstone objective required the mud weight to be raised from 11 ppg to approximately 14 ppg with some gas flared in the process of raising the mud weight. During operations to ensure the well was stabilised, the drill string unfortunately became stuck. Efforts to free the pipe were unsuccessful and the joint venture, supported by the drilling contractor and the Indonesian regulator, decided the to plug and abandon the well as a Discovery.

Amanah Timur-1 well section



During the quarter, good progress was made on plans for a mid-year appraisal of the well (AMT-2) to enable a Plan of Development to be submitted and a fast track development pursued.

Expenditures

Cash calls paid during the quarter totalled US\$95,083 net to Lion.

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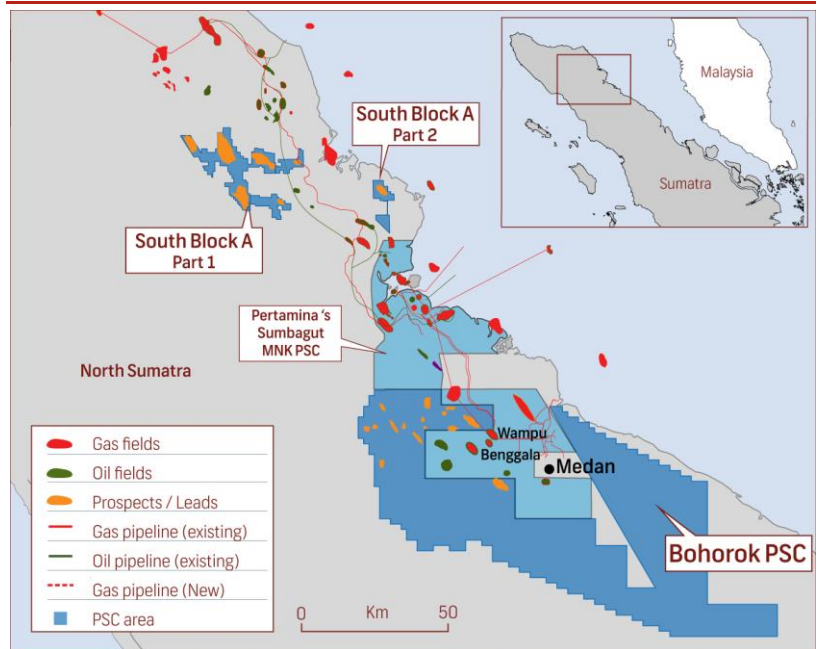
North Sumatra “Bohorok” Unconventional Joint Study

The unconventional joint study covering 4684km² 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 40.7% 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



The joint study, undertaken with Padjadjaran University in Bandung and completed in February 2016, highlighted the highly material potential within the joint study area, with the key prospective intervals identified within the Lower to Middle Miocene Belumai and Lower Baong formations. The timing of the release of the resultant PSC for tender will be dependent upon the government regulator MIGAS, at which time Lion and its consortium members will have a right to match the highest offer for the block (if any).

Of considerable interest, during the quarter PERTAMINA drilled the Melucut-1 unconventional shale well in the Sumbagut PSC adjacent to Lion’s unconventional areas. This is the first shale well to be drilled in Indonesia. Logging, perforating, hydraulic fracturing and well testing is planned and Lion is well positioned to be able to leverage knowledge gained from this well.

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

Participants	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 2481km², 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 key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

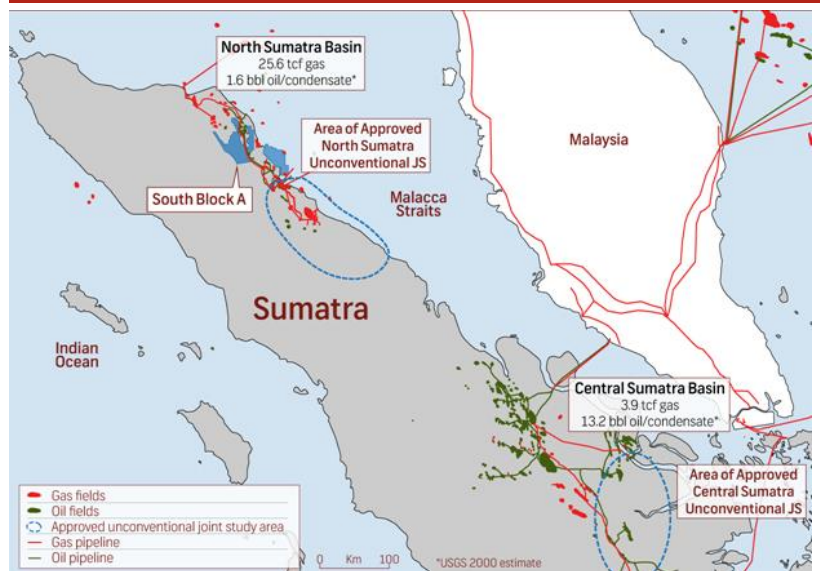
The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depocentres within the province. It hosts major discoveries; encouragement for the unconventional potential (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 was conducted with the Institute of Technology Bandung and integrated regional geological and geophysical information. It was completed in February 2016. As a result of the study Lion has subsequently recommended adding additional proximate areas to the study area and this is being considered by MIGAS. The timing of the release of the resultant PSC for tender will be dependent upon MIGAS, at which time Lion and its consortium members will have a right to match the highest offer for the block (if any).

Central Sumatra unconventional joint study interest holders:

Participants	Interest
	%
Lion Energy	75.00
Conventional PSC rights holder	25.00

North and Central Sumatra – Joint Study Areas location map



Additional Joint Study and Joint Study Applications

A new conventional Joint Study over a highly prospective area in Eastern Indonesia was completed during the quarter with the final meeting held with University Gajah Mada (who conducted the study) and the Indonesian regulator on March 30 2017. Lion see significant potential within the Joint Study area and is currently looking at increasing its equity position beyond its 50% interest. The exact area and other details on the study are commercially sensitive.

In addition to our two completed unconventional joint studies, Lion has additional application over highly prospective areas in Sumatra. Lion made excellent progress on our second Sumatra unconventional Joint Study during the quarter with successful pre-Joint Study meeting held with the regulator MIGAS. Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of this application.

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
Indonesia			
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	40.7%	No changes	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX). Additional interest obtained through default/withdrawal of POGI in December 2016 (subject to formal Indonesian Government approval). Indonesian regulator, BPMA, extended the SBA PSC exploration term for an additional four years, effective from 19 January 2017.

Corporate

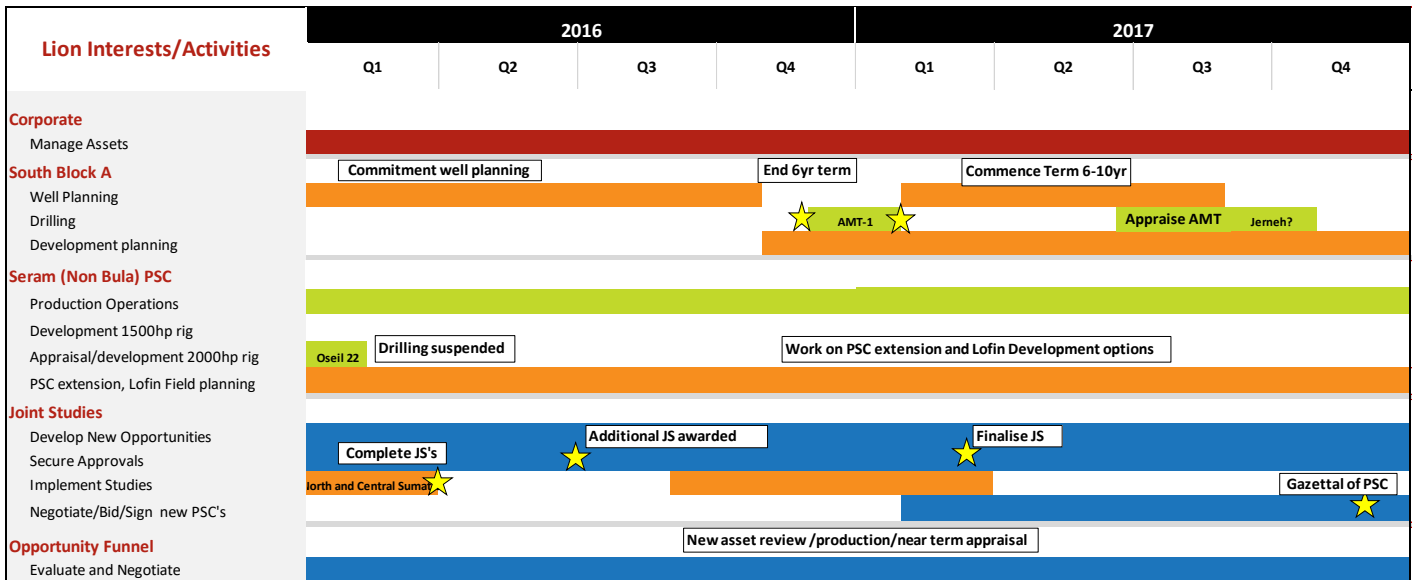
Lion's Annual General Meeting is scheduled for May 30th 2017 at Lion's Subiaco office (Suite 7/295 Rokeby Rd) at 10am.

Lion continues to have active input into all our ventures and is maintaining a tight rein on costs. The company is pursuing an active new business program in both Indonesia and the wider region, focusing on producing or near-term producing assets.

Activity schedule

Our 2016-2017 exploration schedule is depicted in the following chart:

Lion Activity and Key Event Timeline 2016 to 2017



Legend

Code	Activity type
[Red]	Lion Corporate
[Orange]	Held Assets General Exploration
[Green]	Held Asset Field Activities (Drilling/Seismic)
[Yellow]	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)

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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 Ltd. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has more than 30 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

bcf: billion cubic feet

bopd: barrels oil per day

BOP: blow out preventer

ESP: Electric submersible pump

FTP: first tranche petroleum

JV: joint venture

KB: Kelly bushing

mmscfd: million standard cubic feet of gas per day

mmbbl: million barrels

MD: measured depth

POS: probability of success

PSC: Production Sharing Contract

psi: pounds per square inch

tcf: trillion cubic feet

ss TVD: sub-sea true vertical depth

TD: total depth

END