



Lion Energy

Jun 17th 2015

Lion Energy MD Kim Morrison in Q&A with Proactive Investors

Lion Energy (ASX:LIO) has built an attractive exploration and production portfolio in Indonesia.

Most recently, its Lofin-2 appraisal well in the Seram (Non Bula) production sharing contract (PSC), Indonesia, flowed gas at a rate of 17.8 million cubic feet per day confirming a material gas/condensate accumulation.

Lion has a 35% interest in South Block A PSC in the heart of the North Sumatra basin.

The company also has two approved unconventional joint studies over highly prospective areas in the North and Central Sumatra Basins, and another application in train.

Lion's unconventional position offers world-class, long-term upside while its conventional oil and gas activity will help build its unconventional knowledge while providing potential near-term cash flow.

Proactive Investors is joined exclusively by Lion Energy's MD and chief executive officer, Kim Morrison.

PROACTIVE INVESTORS: Welcome Kim.

Lion Energy recently participated in the Lofin-2 appraisal well. What is potential benefit to the company and what are the plans going forward?

Kim Morrison:

Thanks for this opportunity. We are particularly pleased with the results of the Lofin-2 well located in our Seram PSC in Eastern Indonesia.

This appraisal well on the large Lofin structure has proved a gas column of at least 1100m and up to 1300m within a massive fractured limestone section.

The well flowed gas at over 17 mmcfpd, and although well operations and evaluation are ongoing, a considerable dataset has already been acquired.

Results have comfortably exceeded pre-drill expectations and the well has confirmed a material discovery for Lion, even with our 2.5% interest.

The forward plan, including plans for extension of the PSC beyond 2019, are currently being discussed within the joint venture. However all participants are excited by the results and recognize the outstanding potential.

What drew you to Seram Island and can you outline any potential opportunities in the region?

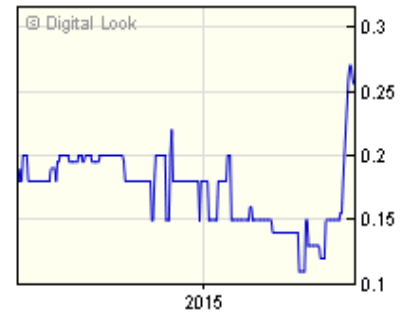
Kim Morrison:

Lion has been involved in exploration and production in Seram for over 15 years and has built strong knowledge of the geology and key factors to successful operations in the region.

Price: A\$0.255

Market Cap: A\$20.506M

1 Year Share Price Graph



Share Information

Code: LIO

Listing: ASX

Sector: Oil and Gas Exploration and Production

Website: www.lionenergy.com.au

Company Synopsis:

Lion Energy (ASX:LIO) is focused on the emerging unconventional oil & gas market in Indonesia.

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Despite oil first being discovered over 100 years ago the area is still relatively lightly explored and, as highlighted by the Lofin result, Lion sees substantial remaining potential.

Production from the Oseil oil field in our Seram PSC is currently producing at over 3450 bopd with plans recently approved to grow this to over 4500 bopd (or around 115 bopd net to Lion).

Our aim is to build our position in this area where we have a competitive advantage.

For investors who may be unfamiliar with Indonesia, can you explain the operating environment for Lion Energy's conventional and unconventional projects?

Kim Morrison:

The case for investing in Indonesia is compelling for both a conventional and unconventional standpoint: Indonesia is the world 4th largest country by population with over 250 million people; it has a dynamic growing economy; and energy demand growing at around 5%.

Conventional oil and gas production is falling at same time as demand is growing leading to a major energy short fall forecast in the years ahead.

As result of these factors, gas prices have risen from \$2-3 /mmbtu in 2005 to around US\$8-9 mmbtu today with room to go higher.

Lion is well positioned as an early mover in Indonesian unconventional with some highly prospective acreage in the prolific North and Central Sumatra basins.

The government is actively encouraging exploration for unconventional oil and gas (namely shale gas and oil and tight gas and oil) and is offering attractive fiscal terms.

Lion is pursuing new unconventional PSC's via the Joint Study process, which is a low cost way for the company to secure large acreage positions. Each of these joint studies has multi-TCF and multi-hundred million barrel potential.

Our unconventional strategy is to build a large position with high working interest and use conventional exploration to de-risk the potential in a cost effective way.

Ultimately we see this unconventional portfolio as being attractive to a large multi-national with plans to leverage our position in similar way as early movers in North America.

How are low oil prices affecting you?

Kim Morrison: As mentioned Lion continues to help build its production from the Seram PSC with attractive fiscal terms and modest operating costs of around US\$25-30/bbl we make good returns even at current oil prices.

In our South Block A PSC in North Sumatra, we have defined a low risk oil prospect with near term production potential and a world class gas/condensate prospect with potential to transform Lion.

This block is well located with respect to infrastructure and markets that will support the economics of the project.

What is the upcoming news flow along with key catalysts for the company?

Kim Morrison: Lion is maintaining an active program offering numerous potential share price catalysts, including:

- Continuing evaluation of Lofin-2, where we look forward to reporting final results;
- Phase 3 development at Seram, which should see production continue to grow. The Oseil-28 development well is due to spud on back of positive results from recent Oseil-27 and up to 5 development wells may follow;
- Our unconventional joint studies are underway with view to be converted to unconventional PSC's in 2016;



- Planned exploration drilling in South Block A; and

- An active new business program where we are making good progress on a number of deals that complement our Indonesia strategy.

Why should investors consider adding Lion Energy to their portfolio?

Kim Morrison:

The short answer is that we see Lion as undervalued with significant share price appreciation potential.

Key to our success is our strong management team with proven records as creators of shareholder value in the petroleum industry.

We are all motivated by having significant "skin in the game". Importantly we all have extensive Indonesian in-country experience.

Our strategy for growing our company is to build near-term conventional revenue, whilst concurrently exploiting associated unconventional upside.

Critically, we have strong existing assets with a focus in proven hydrocarbon areas with established oil and gas infrastructure.

We are well positioned in Sumatra, Indonesia which has some of Asia Pacific's onshore discovered hydrocarbon basins and in Seram where we have a long held position and a competitive advantage.

We welcome interest of new investors to be part of an exciting growth phase for Lion.

PROACTIVE INVESTORS: Thank-you Kim.

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