



Lion increases interest in South Block A PSC

Highlights

- Lion increases interest in South Block A PSC by 5.7% to 40.7%
- Lion and JV operator Renco Elang Energy (REE) have exercised their rights to default JV participant POGI, that held a 14% interest
- Increases Lion's interest in the exciting Amanah Timur-1 well, due to spud in December 2016
- Additional prospective resources of 6.3mmboe (Best Estimate, unrisks), net to Lion

Lion Energy Ltd (ASX Code: LIO) is pleased to announce it has increased its interest in the South Block A PSC. Lion, in conjunction with Operator REE, have exercised their rights to default PT Prosys Oil & Gas International (POGI).

POGI's 14% interest will be taken up pro-rata by Lion and REE, as per the Joint Operating Agreement (JOA) covering the South Block A PSC. As a result of the default, Lion will hold 40.7% (previously 35%) and REE will hold 59.3% interest (previously 51%).

While POGI will not benefit from any potential success of the upcoming Amanah Timur-1 well, under the JOA it remains responsible for any incurred/outstanding PSC liabilities including its share of unpaid cash calls. Lion's incremental share of the Amanah Timur-1 drilling cost is estimated to be around US\$74,000.

Lion's share of prospective resources¹ following the default of POGI are shown on the following table:

SBA Prospective Resources (Unrisks, high gradeds prospect)	Working interest (%)	Gas/Associated Gas Recoverable (BCF)			Oil/Condensate Recoverable (MMbbl)			Combined MMboe		
		P90	P50	P10	P90	P50	P10	P90	P50	P10
Total Prospective Resource ²	100.0%	191.0	514.5	1424.2	8.8	24.9	69.2	40.6	110.7	306.5
Lion share previously	35.0%	66.9	180.1	498.5	3.1	8.7	24.2	14.2	38.7	107.3
Lion share after POGI interest	40.7%	77.7	209.4	579.7	3.6	10.1	28.1	16.5	45.0	124.8
Incremental resource obtained	5.7%	10.9	29.3	81.2	0.5	1.4	3.9	2.3	6.3	17.5

Lion's CEO Kim Morrison commented: "We are pleased to be increasing our equity in South Block A PSC as Lion considers this to be one of the most prospective exploration blocks in Sumatra. Underfunded partners are a fact of life in the present industry environment and we are glad to have this uncertainty resolved. We now enter the exciting drilling phase with a fully aligned partner and with the increased equity providing us additional leverage in this highly attractive block."

¹**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.

²**Aggregation method:** Prospective Resources in this Table have been estimated probabilistically at prospect level but combined arithmetically to provide the portfolio number.

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC's.
- Net production of around 90 bopd 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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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

BCF: billion cubic feet gas
JV: joint venture
MMboe: million barrels oil equivalent
MMbbl: million barrels
PSC: Production Sharing Contract

ENDS