

ASX/Media Release

For Immediate Release – 28 May 2015



Lofin-2 flows gas, confirms material discovery

Highlights

- Lofin-2 tests gas at up to 17.8mmcfpd from the Manusela limestone
- Results support a gas column of at least 1106m, and up to 1300m
- Combined with the size of the structure, this points to a potentially sizable gas/condensate accumulation

Lion Energy Ltd (ASX Code: LIO) advises that the Lofin-2 well appraising the 2012 Lofin-1 discovery has met key pre-drill objectives. It has significantly extended the proven gas column and provides valuable geological and engineering data including fluid samples, core data and wireline log data. Wireline pressure tests and samples, supported by the ongoing open hole test results, indicates a potential gas column of at least 1106m. This gas column could be up to 1300m based on evaluation of gas readings and interpretation of pressure data.

Testing of an open hole section of Lofin-2 is ongoing with the well flowing gas at up to 17.8 mmcfpd through a 52/64" choke at 2250psi flowing pressure. The well is also flowing some water interpreted to be from the lower part of well below the substantial gas column. The well is currently undergoing a multi-rate test to provide valuable reservoir engineering data. The forward plan is currently under discussion within the joint venture.

Commenting on the results Lion's CEO Kim Morrison noted "The test results confirm the significant gas potential in the Lofin feature. Valuable data has been obtained and we look forward to working with the operator in the evaluation and integration of well results on this material discovery for Lion."

Lofin-2 location map



Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC's.
- An early mover in Indonesia's fledgling unconventional oil & gas industry.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- New executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute our business plan.

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Lofin-2 Appraisal well

The Lofin-2 appraisal well, in which Lion has a 2.5% interest, spudded on 31 October 2014. The well is being drilled to appraise the 2012 Lofin-1 discovery which flowed gas and some oil/condensate from the Manusela Formation. The well is operated by CITIC Seram Energy Ltd (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

Lofin-2 had a planned total depth of 5425m MD (5321m ssTVD) with the primary objective Manusela Formation projected at 4488m MD (4384m ssTVD). The primary objective was intersected at 4615m MD (4508m ssTVD), some 125m deeper than prognosed. Wireline logging of the open-hole section above 5471m MD (5348m ssTVD), including pressure measurements, provide strong evidence that the hydrocarbon column continues deeper and therefore the well was drilled to a revised total depth of 5861m MD (5686m ssTVD). Encouraging gas shows were encountered to approximately 5595m MD (5463m TVD) and some oil shows continued to be recorded while drilling through to the revised total depth within the Manusela limestone.

On pulling out of hole the drill pipe became stuck and on attempting to pull free the drill pipe parted with the top of the stuck drill string at 5025m MD (4948m ssTVD). Numerous attempts to free the stuck pipe were unsuccessful and the joint venture elected to conduct a flow test over the open hole section of the Manusela.

The well test commenced flowing on 21 May 2015, and is being conducted as a multi-rate test to maximise reservoir information. On a 52/64" choke the well flowed at approx. 17.8mmcf/gpd with approx. 2634bpd water and completion fluid and approx. 54 bpd of 34.9° API condensate/oil with a flowing wellhead pressure of 2250psi. On a 16/64" choke the well was flowing gas at approx. 4.95 mmcf/gpd with approx. 12 barrels condensate/oil and approx. 280 bpd water with a flowing wellhead pressure of 5000psi. The results suggest well flow is occurring around the stuck drill pipe

The presence of water in the test is interpreted to come from the lower part of the well coincident with the decrease in gas readings while drilling at a depth of around 5595m MD to the well total depth. Evaluation of well results including testing is ongoing.

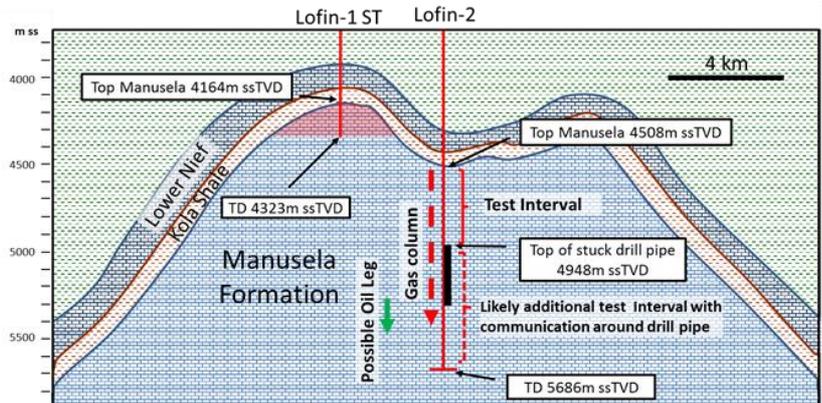
Options for the forward plans on Lofin-2, following completion of test activities, are currently being considered by the joint venture

Current Status of Lofin-2

The current status of the Lofin-2 well is summarized below.

- The well spudded 31 October 2014
- 13 3/8 inch casing was run and cemented at 2291m MD
- 9 5/8 inch casing was run and cemented at 3661m MD
- 7 inch liner casing was run and cemented at 4619m MD
- Wireline electric logs have been run across the open hole section from 4619m MD to 5471m MD
- Wireline formation testing using a Modular Formation Dynamics Tester has been run at several intervals in the open hole Manusela Formation section to acquire accurate pressure data and formation samples
- Well drilled to 5861m MD
- Drill string stuck on pulling out of hole and parted leaving pipe in hole. Top of stuck pipe is 5066m MD
- Flow test well, results indicate entire open hole Manusela interval is being evaluated

Lofin Structure – Schematic Cross-section



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Due to the additional deepening program, the estimated well cost had been revised from approximately US\$33 million to approximately US\$38 million (Lion share US\$0.95 million), inclusive of provision for completion, stimulation and flow testing. The operational issues of stuck drill string is likely to further impact the well cost. Upon agreement by the JV partners of the forward program, a further revision will be made.

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

bpd: barrels per day

MD: measured depth

mmscfd: million standard cubic feet of gas per day

PSC: Production Sharing Contract

psi: pounds per square inch

TD: total depth

TVDKB: total vertical depth referenced to the drill floor

ssTVD: total vertical depth referenced to sea level

ENDS