

## Lofin-2 operational milestone reached; Oseil development well to spud shortly

### Highlights

- Lofin-2, has successfully run and cemented 9-5/8 inch casing and as at 18 February 2015 was drilling ahead at a depth of 3972m
- Phase 3 Development drilling to commence soon with the Oseil-27 well due to spud this month
- Continued strong oil production of approximately 2930 bopd

Lion Energy Ltd (ASX Code: LIO) is pleased to advise that Lofin-2 appraisal well has achieved an important milestone, with 9-5/8 inch casing run and cemented to 3661m. The forward plan is to drill ahead in 8 1/2" hole to approximately 4513m prior to setting 7" liner at the top of the primary objective Manusela Formation limestone, expected at approximately 4509m. After the 7" liner is set (forecast in mid-March) drilling will continue in 6" hole to fully evaluate the Manusela Formation.

Lofin-2 is located in the Seram (Non Bula) PSC in eastern Indonesia and spudded on 31 October 2014. It is being drilled to appraise the Lofin-1 discovery made in 2012, which flowed 15.7 mmscfd and 171 bpd oil/condensate from the Manusela Formation. The objective of the well is to extend the 160m known hydrocarbon column with recoverable Prospective Resources estimated to be 23mboe (100% basis, P50 best estimate). The planned TD is 5425m.

The Oseil-27 development well is due to spud in late February and will delineate undrained volumes on the NE flank of the Oseil field. It is projected to add 500 bopd to production. Oseil-27 is another of the Phase 3 wells, (Oseil-21 and Oseil-26 have already been drilled as part of the Phase 3 development). Current plus incremental production from the Phase 3 development, is projected to increase Seram production to approximately 4500 bopd based on operator forecasts.

Lion has a 2.5% interest in the Seram (Non Bula) PSC which is operated by CITIC Seram Energy Ltd (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

Lion's CEO Kim Morrison noted "We are pleased with the steady progress of Lofin-2 and a potentially challenging hole section is now safely behind pipe. The operator has also expedited development drilling on Oseil in the Oseil-2 area and we look forward to increased production as the Phase 3 drilling continues."

*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.*

### Lion at a glance

- Transforming from a small Indonesian conventional oil and gas player to an Indonesian unconventional oil and gas pioneer.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- Experienced executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute the 2015 business plan.

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# ASX/Media Release

For Immediate Release – 19 February 2015



## Lofin Resource Estimates

Resource estimates for the Lofin Prospect are set out below. Contingent resources are calculated for the section penetrated by Lofin-1. Prospective resources are calculated for the section below the Lofin-1 TD with an oil and associated solution gas case shown.

LOFIN PROSPECT – RESOURCES (Manusela Formation)	Gross (100%) PSC			Lion Net <sup>7</sup> Working Interest		
	(P <sub>90</sub> )	(P <sub>50</sub> )	(P <sub>10</sub> )	(P <sub>90</sub> )	(P <sub>50</sub> )	(P <sub>10</sub> )
Contingent Resources <sup>1,2</sup>	1C	2C	3C	1C	2C	3C
Cond (mmbbl)	0.14	0.26	0.45	0.004	0.007	0.011
Gas (bcf)	13.9	25.8	45.6	0.348	0.645	1.14
Total Contingent Resources (mmboe) <sup>5,6</sup>	2.46	4.56	8.04	0.062	0.114	0.201
Prospective Resources <sup>3,4</sup>	Low (P <sub>90</sub> )	Best (P <sub>50</sub> )	High (P <sub>10</sub> )	Low (P <sub>90</sub> )	Best (P <sub>50</sub> )	High (P <sub>10</sub> )
Oil (mmbbl)	5.5	18.7	61.1	0.14	0.47	1.53
Gas (bcf)	7.5	24.9	81.8	0.19	0.62	2.05
Total Prospective Resources (mmboe) <sup>5,6</sup>	6.8	22.9	74.7	0.17	0.57	1.87

### Notes:

1. 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.
2. Contingent Resources as at 31 December 2013 from third party independent analysis and validated by Lion. Probabilistic method applied.
3. 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.
4. Prospective Resources as at 30 October 2014 are based on Lion's internal assessment using parameters from the Lofin-1 discovery well. Probabilistic method applied.
5. mmboe is millions of barrels of oil equivalent, converted at a ratio of 6 Mcf:1 bbl.
6. Statistically aggregated.
7. Lion net number includes Government 5.625% First Tranche Petroleum share



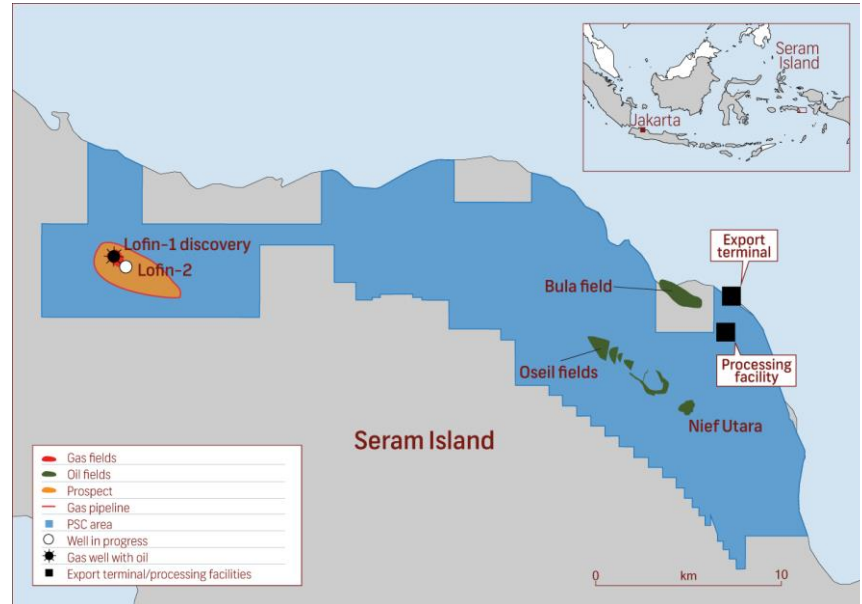
## The Lofin Prospect

The Lofin Prospect is a thrust faulted four way dip anticline located 7 km west of the Oseil Field. The prospect is identified on 1990 and 2008 vintage 2D seismic lines and is approximately 4km wide and 9km in length. The mapped lowest closing contour is 4938m ss TVD with an areas of 31 sq km. The Lofin-1 well encountered a crestal gas column of approximately 525ft/160m although is interpreted to have entered an oil leg towards the total depth of the well based on the analysis of test data by the Operator.

The primary objective is the fractured carbonate of the Jurassic age Manusela Formation which is the reservoir in the producing nearby Oseil field. The overlying Jurassic marine Kola Shale provides the regional seal with the main source rock interpreted to be the underlying mature Late Triassic Saman Saman Formation.

Key uncertainties to be addressed by Lofin-2 are the extent of the hydrocarbon column, reservoir quality and the density of fracturing. In addition, while prospective resource numbers shown below are for an oil case below the TD of Lofin-1, there is also the potential that a significant gas column could be encountered in Lofin-2.

Seram (Non Bula) PSC – location of Lofin wells



### Lofin 1 recap

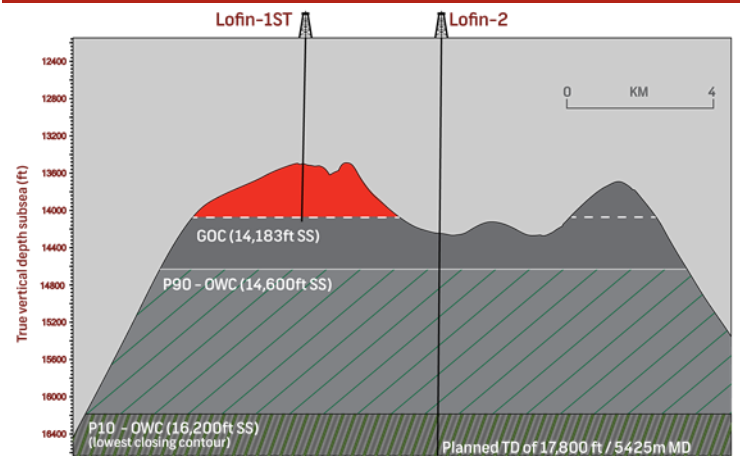
The Lofin-1 exploration well was spudded in the Seram (Non-Bula) PSC on 17 January 2012 to test the hydrocarbon potential of the Manusela Formation in the Lofin structure. In May 2012, the well was side-tracked at 3420m MD and drilled to a total depth of 4427m MD and was interpreted still to be in hydrocarbons, representing a current minimum interpreted gross hydrocarbon column of 160m.

- After acidising the well flowed gas and oil/condensate at a rate of 15.7 mmscfd and 171 bopd of 36.1° API oil/condensate, with a flowing wellhead pressure of 4750 psi on 24/64 inch choke.
- Downhole shut-in pressure data acquired during testing operations indicated potential for a significant hydrocarbon column below the total depth of the Lofin-1 well.

### Lofin-2

Lofin-2 has a planned total depth (TD) of 5425m MD with the primary objective Manusela Formation projected at 4509m TVD. The well TD may be revised shallower if results indicate the well is no longer in a hydrocarbon column. The well is anticipated to take approximately another 60 days to drill to the planned total depth of 5425m, including running electric logs. A further 21 days is scheduled for testing of the Manusela Formation.

Lofin Structure – Schematic Cross-section



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Lofin-2 appraisal well has achieved an important milestone, with 9-5/8 inch casing run and cemented to 3661m. The forward program is to drill 8-1/2 inch hole to the top of the primary objective (the Manusela Formation expected at approximately 4490m MD), where it is intended to set and cement a 7 inch liner, prior to drilling to total depth.

The projected TD of 5425m will make Lofin-2 one of the deepest well penetrations undertaken in Indonesia and the joint venture has worked hard to ensure the best of engineering standards and practices will be utilised. A US specialist company was engaged to review relevant data and produced a comprehensive report with recommendations on all facets of the Lofin-2 well including: data acquisition; geological & geophysical analysis; the drilling program; well completion; testing program; risk analysis and contingency plans. Consultants from this company will be utilized during critical periods of the well to provide drilling and testing advice.

The well cost estimate is approximately US\$33 million, inclusive of provision for completion, stimulation and flow testing. Lion's share of this (US\$1.16mil) will be significantly offset by Lion's production revenue entitlement from the PSC.

## Plan of Further Development

The Seram Joint Venture has a proposed plan of further development (or Phase 3 Development) for the Oseil field, with the area of interest being around the Oseil-2 area. Investment in the Oseil Field Phase 1 Development was commenced in January 2000 and Phase 2 in March 2004. The area of Phase 1 and Phase 2 Development covered the Oseil-1/4 and Oseil-2 areas and provided for the drilling of 18 wells, which have been drilled.

The Phase 3 development plan is proposed to include the drilling of up to 10 additional horizontal wells, three of which have already been drilled under a negotiated arrangement with the regulatory body prior to approval of Phase 3. Oseil-27 is the fourth well of the Phase 3 drilling schedule.

## 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

bbl: barrels

bcf: billion cubic feet

bopd: barrels oil per day

MD: measured depth

mmscfd: million standard cubic feet of gas per day

mmbbl: million barrels

mmboe: million barrels of oil equivalent

PSC: Production Sharing Contract

psi: pounds per square inch

ss TVD: sub-sea true vertical depth

TD: total depth

ENDS