

Milestone Lofin discovery - 2tcf contingent resource

Highlights

- **Contingent resources (2C Best Estimate) for Lofin discovery: 2020bcf gas and 18.25mmbbl condensate (100% basis)**
- **Lion 2.5% working interest share of 2C contingent resources: 50bcf gas and 0.46mmbbl condensate**
- **Estimates incorporate results of the recent successful Lofin-2 appraisal well which delineated a gas column of up to 1300m**

Lion Energy Limited (ASX: LIO) (“Lion” or “Company”) is pleased to report contingent resources for the Lofin Field. The estimates confirm a significant gas/ condensate discovery in the Seram Non-Bula Block PSC, located in eastern Indonesia, in which Lion has a 2.5% interest.

The contingent resource estimates compiled by Lion are based on analyses of available data including 2D seismic coverage and data acquired from the Lofin-1 ST and Lofin-2 wells (both wells tested gas and condensate in the fractured limestone of the Manusela Formation).

Contingent Resource Estimate – Lofin Field

Gross (100%) PSC	1C	2C
	(P ₉₀)	(P ₅₀)
Gas (bcf)	879.5	2020.1
Condensate ² (mmbbl)	8.0	18.3
Total (MMBOE) ⁶	145.5	345.9
Net to Lion Working Interest (2.5%)	1C	2C
	(P ₉₀)	(P ₅₀)
Gas (bcf)	21.99	50.50
Condensate (mmbbl)	0.20	0.46
Total (MMBOE) ⁶	3.64	8.65

See page 3 for full details of estimates

CITIC Resources Holdings Limited (CITIC), the operator of the Seram Non-Bula Block PSC, is currently in discussions with Indonesian regulatory authorities to extend the PSC which is due to expire on 31 October 2019.

This release, which conforms to SPE-PRMS classification guidelines, follows an announcement to the Hong Kong Stock Exchange on 6 October 2015 by CITIC (HKSE Stock Code 1205) regarding an independent report evaluating the gas and condensate resources of the Lofin Field.

Lion CEO Kim Morrison noted: “The contingent resources estimated for the Lofin Field are clearly material for Lion and an important part of our growth strategy in Indonesia. However we caution there is a long way to go prior to commercial production with extension of the existing PSC and further appraisal activities needing to be undertaken”.

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC’s.
- Net production of around 100 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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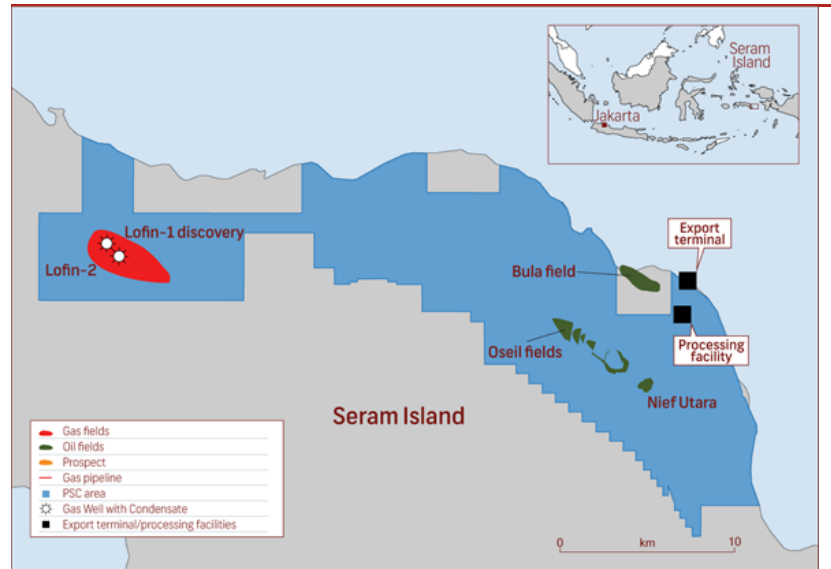
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Seram Non-Bula Block PSC

CITIC Seram together with its co-participants under the Seram Non-Bula Block PSC, KUFPEC (Indonesia) Limited (30% participating interest), Gulf Petroleum Investment Company k.s.c.c. (16.5% participating interest) and Lion Energy Limited (2.5% participating interest), are entitled to explore and develop oil and gas in the Seram Non-Bula Block PSC until the expiry of the PSC on 31 October 2019. CITIC Seram and its co-participants are working with the Indonesian regulator, SKK MIGAS, towards obtaining an extension of the Seram Non-Bula Block PSC to permit them to continue oil and gas exploration, development and production beyond 31 October 2019. Obtaining this extension is a key step to allow Lofin Field contingent resources to be converted to reserves.

Seram Non-Bula Block PSC - Map



Lofin Field

The Lofin Field is a thrust faulted four way dip anticline located 25-km west of the Oseil Field. The field is mapped on 1990 and 2008 vintage 2D seismic lines and is approximately 4km wide and 10km in length.

The reservoir is the fractured carbonate of the Jurassic/Triassic age Manusela formation which is the reservoir in the nearby producing 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.

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 11,219 ft/3420 m MD and drilled to a total depth of 14,525 ft/4427 m 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 mmcf/d and 171 bopd of 36.1° API 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.

The Lofin-2 appraisal well to appraise the Lofin-1 discovery spudded on 31 October 2014. Lofin-2 intersected the primary Manusela objective at 4615m MD (4508m ssTVD). Wireline logging at the original programmed total depth (TD) of 5471m MD (5348m ssTVD), included pressure measurements and samples. Wireline logs provided good data on the Manusela Formation carbonate reservoir which has low average porosity (~4%), net /gross of approximately 30% although with fractures evident throughout the carbonate section. The data acquired provided strong evidence that the hydrocarbon column continued deeper within the fractured Manusela limestone section. The well was therefore drilled to a revised total depth of 5861m MD (5686m ssTVD).

On pulling out of hole at this revised TD the drill pipe became stuck and on attempting to pull free parted with the top of the 253m stuck drill string at 5025m MD (4948m ssTVD). A number of 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 Formation.

A successful well test commenced on 21 May 2015 and was conducted as a multi-rate test using different choke sizes to maximise reservoir information, over a 7 day period. On a 52/64 inch choke the well flowed gas at approx. 17.8mmcf/d with approx. 2634bpd

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water and completion fluid and approx. 54 bpd of 34.9° API condensate, with a flowing wellhead pressure of 2250 psi (96 hour flow period on 52/64 inch choke). On the smallest choke setting (16/64 inch) the well was flowing gas at approx. 4.95mmcfpd with approx. 12 barrels condensate and approx. 280bpd water with a flowing wellhead pressure of 5000 psi (12 hour flow period on 16/64 inch choke). Tested gas quality is good with approximately 5% CO₂.

The results indicate well flow was occurring around the stuck drill pipe and the presence of water in the test is interpreted to come from the lower part of the well coincident with a decrease in gas readings while drilling from around 5586m MD (5456m ssTVD) to total depth. The well delineated a continuous gas column of up to approximately 1300m for the large Lofin structure.

The Lofin-2 well provided critical new information on porosity of the Manusela limestone, net/gross within the hydrocarbon column, fracture density, hydrocarbon saturation, fluid type and contacts.

Lofin Field Contingent Resource

The data acquired during the drilling of Lofin-1ST1 and Lofin-2, combined with seismic data, has been used in calculating contingent resources for the Lofin Field. The resource estimates for gas and condensate are classified as contingent resources as there is no certainty of development due to various factors including, amongst others, economic, regulatory, market and facility, corporate commitment and extension award of the Seram Non-Bula Block PSC beyond the current 31 October 2019 expiry date. The joint venture is currently reviewing further appraisal requirements and potential development options for the Lofin Field.

An overview of contingent resources for the Lofin Field (100% and Lion working interest share) compiled by Lion in accordance with SPE-PRMS classification is shown below:

In-place and Contingent Resources^{1,9}				
Lofin Field, Seram Non-Bula Block PSC, Seram Island, Indonesia				
(as at 31 August 2015)				
Manusela Formation Reservoir	Gross (100%) PSC			
	In-place		Recoverable^{3,4}	
	Low (P₉₀)	Mid (P₅₀)	1C (P₉₀)	2C (P₅₀)
Gas (bcf)	1337.0	3070.0	879.5	2020.1
Condensate ² (mmbbl)			8.0	18.3
Total (MMBOE) ⁶	222.8	511.7	145.5	345.9
Manusela Formation Reservoir	Net to Lion Working Interest (2.5%)			
	In-place		Recoverable^{3,5}	
	Low (P₉₀)	Mid (P₅₀)	1C (P₉₀)	2C (P₅₀)
Gas (bcf)	33.43	76.75	21.99	50.50
Condensate (mmbbl)			0.20	0.46
Total (MMBOE) ⁶	5.57	12.79	3.64	8.65

1. Contingent Resources those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources. There is no certainty that any portion of the contingent resources will be developed or, 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. The condensate is associated with the gas discovery and is estimated from a yield of 8.5 Bbl/MMcf.
3. Recoverable hydrocarbon gas volumes have been reduced to account for shrinkage due to condensate recovery.

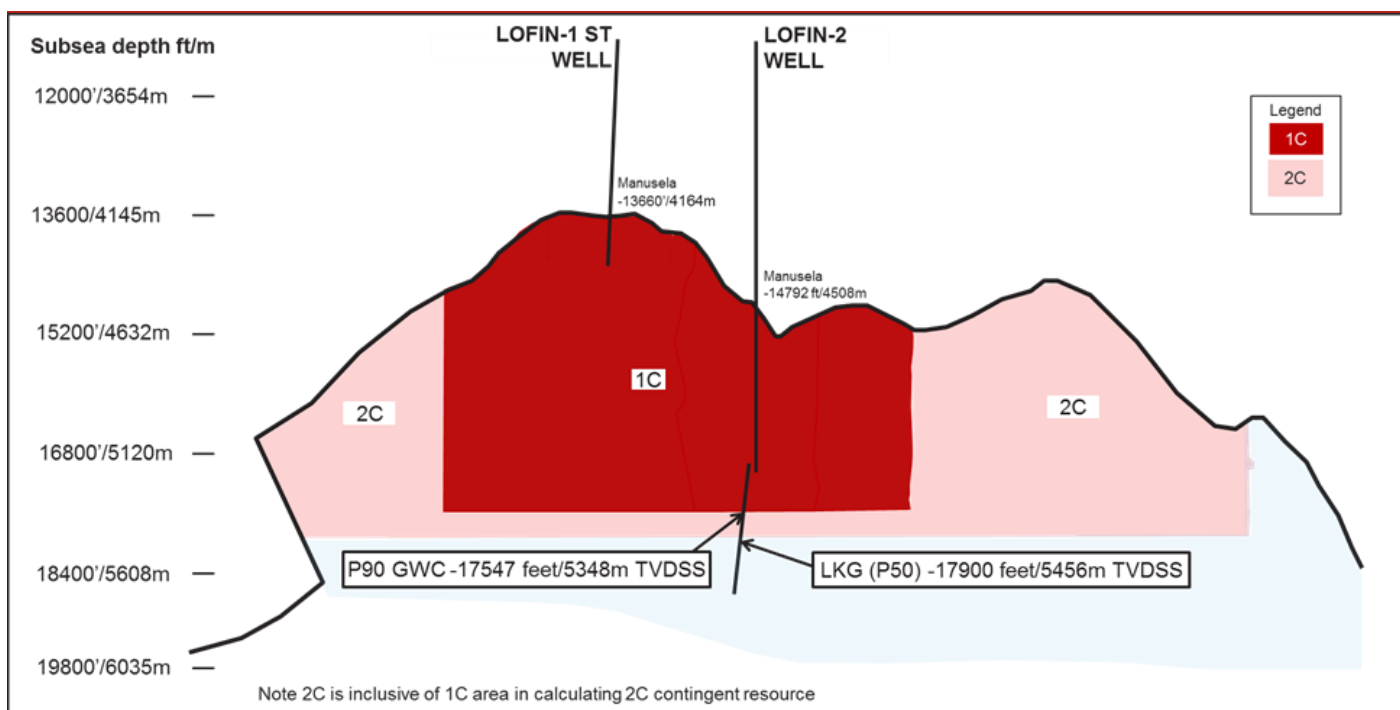
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4. These are the gross recoverable volumes, (i.e., 100% working interest) estimated for the Lofin Area, without any adjustments for company working interest or encumbrances.
5. These are the Company gross recoverable volumes estimated for the Lofin Area, adjusted for company working interest (i.e., 2.5% working interest) but without adjustments for encumbrances.
6. MMBOE is Million Barrels of Oil Equivalent. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
7. 1C Contingent Resource estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate. The C1 drainage area is a cylinder based on the lowest tested gas and a radius of 1,875 m.
8. 2C Contingent Resource estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
9. Resources are calculated deterministically

Schematic diagram showing Contingent Resources (1C and 2C) areas used in calculations



Shareholders and potential investors should note that there is no certainty or assurance that any portion of the contingent resources in the Lofin Field will be developed or, 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 contingent resources and that the actual volume that might be produced (if any) may be different from the estimated amounts provided in this announcement.

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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

bpd: barrels per day	PSC: Production Sharing Contract
bcf: billion cubic feet	ssTVD: total vertical depth referenced to sea level
LKG: Lowest known gas	SPE-PRMS: Society of Petroleum Engineers Petroleum Resources Management System
MD: measured depth	tcf: trillion cubic feet
mmbbl: million barrels	TD: total depth
MMBOE: million barrels oil equivalent	TVDKB: total vertical depth referenced to the drill floor
mmcfgd: million cubic feet of gas per day	

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