

Quarterly Report

1 January to 31 March 2016



LION
energy

Steady production and improving cash flow from Seram PSC

Highlights

- **Production steady at approx. 4200 bopd, up 4% on previous quarter**
- **Seram PSC turning cash flow positive with suspension of development drilling**
- **Unconventional joint studies completed**

Lion Energy Limited (“Lion” or “Company”) continues to have solid production from the Seram PSC and successfully completed our two unconventional joint studies in North and Central Sumatra. In our South Block A PSC cost reduction measures are being implemented and discussions are ongoing on the commitment well timing with the regulator.

Average daily oil production from the Seram PSC increased 4% to 4211bopd (99bopd net to Lion) for the quarter, from 4042bopd the previous quarter, driven by successful drilling and completion of the past five development wells (Oseil-21, 26, 27, 28 and 22). Gross crude oil production for the quarter was 383,186 barrels (9041bbl net to Lion). Operating cost for the quarter equate to US\$15.27 per barrel. Proceeds of US\$295,833 from a crude oil lifting of 425,123bbl completed on 22 December 2015 (Lion share 10,628bbl) were received during the Quarter. A further lifting of 418,842 was completed on 29 March 2016 (Lion share 10,471bbl) at a price of US\$24.33/bbl. Proceeds of approximately \$250,000 are expected to be received early May 2016.

On the unconventional joint studies, the final meeting with the regulator was held on February 19th for both the “Bohorok Deep” and “Bengkalis” areas. Final reports were well received and the joint studies are now formally completed. The Government is reviewing options for including the joint studies in future unconventional gazettal rounds later in 2016 or 2017; at which point the Joint Study participant have the right to match the highest bid.

In South Block A PSC cost reduction have been achieved including lower office costs and the joint venture is working with the Indonesian regulator to ensure the most attractive well is drilled to satisfy the drilling commitment in the block. Lion has also updated our assessment of the South Block A PSC prospective resources which confirms the highly material potential of the top ranked prospects.

At the end of the quarter the Company had cash of US\$1.75mil (A\$2.28mil).

Reporting on the quarter Lion’s CEO, Kim Morrison, noted “Lion continues make prudent progress on our key assets in the tough industry conditions. With suspension of development drilling activities, the Seram PSC is cash flow positive based on quarter end oil price and we are now working on the strategy for extending the PSC to allow the world-class Lofin gas/condensate field to be developed. The completion of two of unconventional joint studies is an important milestone and Lion continues to work on securing new opportunities.”

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC’s.
- Net production of around 100bopd 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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Operations update (1Q-CY16)

Seram (Non-Bula) Block PSC

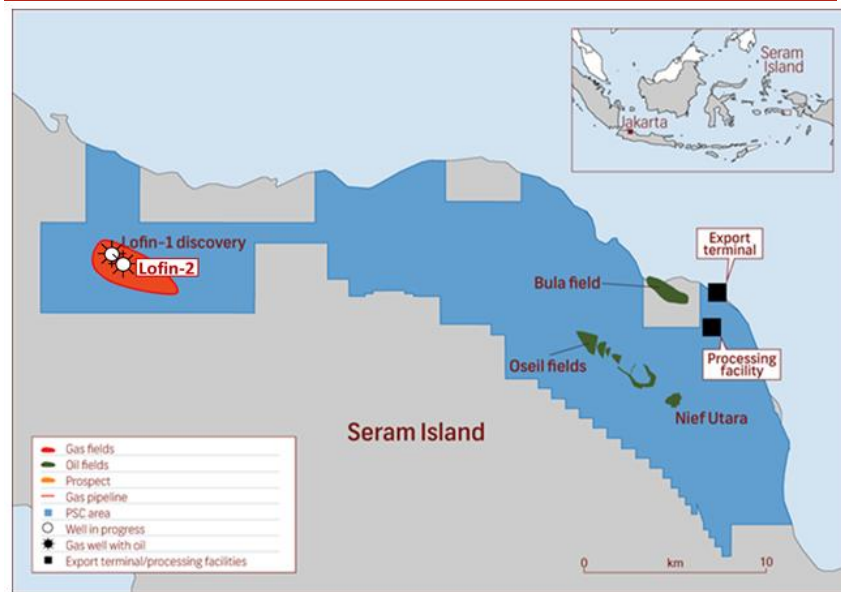
Lion, via its wholly owned subsidiary Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block PSC, located onshore Seram Island in eastern Indonesia. The major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners are KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 14,696,639 barrels since production started in January 2003 through to 31 December 2015.

As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the PSC and work is ongoing on development options for this resource.

The PSC expires end October 2019 and the joint venture is currently in discussions on strategy for securing a renewal of the PSC over the area.

Seram (Non Bula) Block PSC - location map



Production and revenue

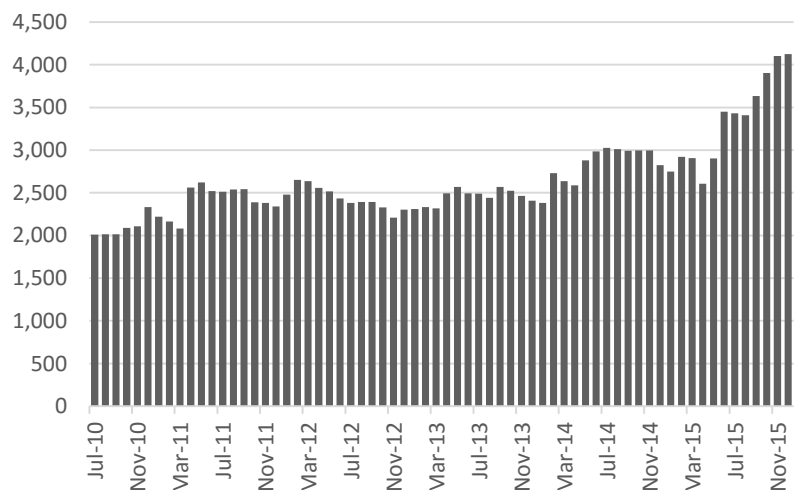
During the quarter gross crude oil production from Oseil and surrounding oilfields was 383,186 barrels (9041bbl net to Lion). Daily production averaged 4211bopd (Lion's net working interest being 99bopd, post government entitlement).

The steady uptrend in production during 2015 has continued into 2016 with a positive result from the development well drilling at Oseil-22 (which came on line in January 2016), lifting field daily production above 4100bopd at quarter end.

During the quarter, workovers were performed on Oseil-2ST2 and Oseil-12. In addition, Oseil-1ST and Oseil-T1 were shut-in as they require workovers that cannot be justified at current oil prices.

Crude oil available for lifting at 31 March 2016 was zero following completion of the crude oil lifting on 29 March 2016 of 418,842bbl.

Seram (Non Bula) Block - daily production per calendar month (bopd)



Expenditures

Seram (Non Bula) PSC	Exploration	Development	Production
	US\$	US\$	US\$
Expenditure net to Lion (1Q-CY16) ¹	0	45,838	138,024

Note 1 – The expenditures herein are Seram PSC results and may differ from Lion's financial reporting due to timing differences

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Oseil Oil Field

Phase 3 Development

The Seram joint venture secured all external approvals for a third phase of development drilling on the Oseil Field (referred to by the regulators as a Plan of Further Development or POFD), with up to 10 wells within the Oseil-2 field. The Phase 3 POFD was formally approved by the Indonesian regulatory body, SKK Migas, on 5 May 2015. Six of the ten wells approved have now been drilled.

During the quarter to joint venture determined not to proceed, at the present time, with the remaining four planned Phase 3 POFD wells due to the current low oil price environment. This decision has a positive impact on cash flow with the PSC being cash flow positive based on oil prices at quarter end.

The recently completed Oseil-22 development well was the sixth well in the POFD.

Oseil-22 Development Well

The Oseil-22 well was directionally drilled to target the Manusela fractured carbonate in the central eastern part of the faulted 4-way dip closure of the Oseil-2 up-thrown fault block.

The well spudded on 18 November 2015 and the rig was released, post quarter end, on 12 January 2016. Excluding mobilization and rig up time, the well was drilled, completed and tested in 55 days, 31 days less than the well program projection.

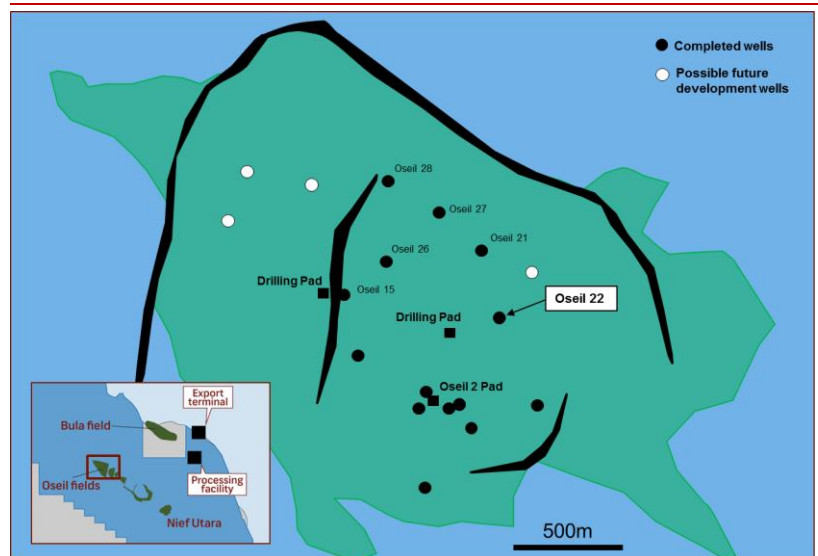
Oseil-22 reached TD of 2332m MD (1864m TVD) in the Manusela limestone objective on 7 January 2015 and was completed with an ESP. Quarter end production from Oseil-22 was approximately 195 bopd (with no water) on a 12/64" choke with 578 psi flowing well head pressure.

The well was drilled approximately US\$2.5mil under the budget projection of US\$9.75mil and continues the efficiency drive by the operator that has resulted in drilling costs over the past six wells of the Phase 3 program being significantly below projections.

Oseil field overview



Oseil-2 field



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South Block A PSC

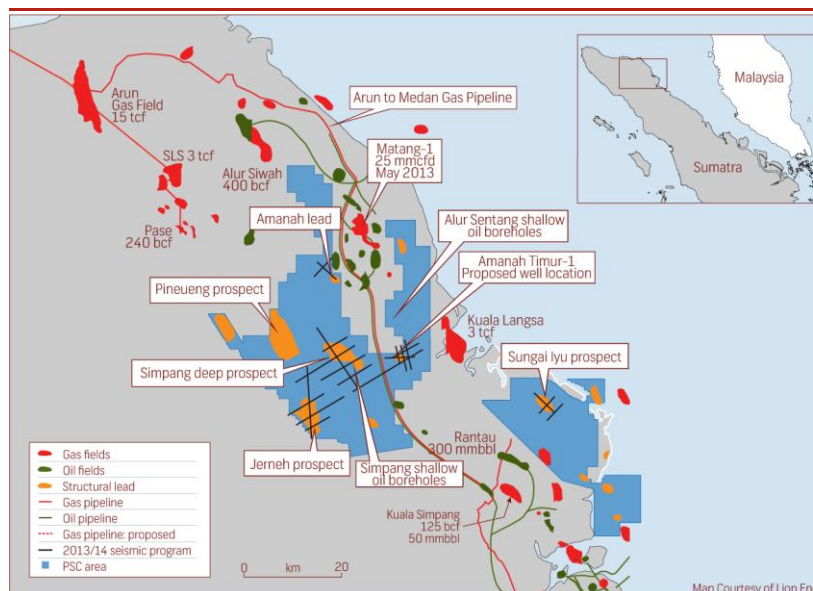
Lion has a 35% interest in the South Block A PSC with other participants being RENCO Elang Energy Pte Ltd (51% interest and Operator) and PT Prosys Oil & Gas International (14%).

The underexplored block is centrally located in the prolific North Sumatra Basin and contains large structures with attractive gas and oil plays. The region has a strong demand, high priced gas market and a new open access pipeline connected to Medan extends through the PSC acreage.

Exploration Drilling

The joint venture reviewed options for exploration drilling during the quarter with high ranked prospects being Amanah Timur and Jerneh. Discussions are ongoing with the Indonesian regulator to ensure the joint venture remains in good standing with respect to work program obligations and drilling the most commercially attractive well.

South Block A PSC – location map



Portfolio Review

A summary prospective resources (Lion equity share) of the top 6 prospects in South Block A PSC is shown below.

South Block A PSC Lion Equity Interest Prospective Resources ¹ top 6 Prospects														
Prospect	Phase	HC Gas Recoverable (bcf)				Oil/Cond Recoverable (mmbbl)				Prospective resource ¹ (mmboe)				POS ² %
		P90	P50	Mean	P10	P90	P50	Mean	P10	P90	P50	Mean	P10	
Jerneh	Gas/cond	22.3	78.0	115.1	266.1	0.5	1.9	2.6	6.1	4.2	14.9	21.8	50.5	34%
Simbang Deep		34.0	76.9	93.2	177.7	1.0	2.5	2.8	5.1	6.7	15.3	18.3	34.7	23%
Pineueng		9.9	23.7	27.5	51.2	0.2	0.4	0.5	0.9	1.8	4.4	5.1	9.5	27%
Amanah Timur	Oil/mnr gas	0.7	1.6	1.9	3.5	0.6	1.4	1.7	3.2	0.7	1.7	2.0	3.7	46%
Sungai Iyu Oil		0.0	0.0	0.0	0.0	0.2	0.5	0.6	1.4	0.2	0.5	0.6	1.4	50%
Sungai Iyu updip		0.0	0.0	0.0	0.0	0.6	2.1	3.1	7.4	0.6	2.1	3.1	7.4	21%
Total		66.8	180.1	237.7	498.5	3.0	8.7	11.2	24.1	14.1	38.7	50.9	107.2	

¹Prospective 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.

²POS: Probability of Success, the chance of encountering a flow hydrocarbons on production testing an exploration well on the prospect.

Expenditures

Cash calls paid during the quarter totalled \$16,913 net to Lion.

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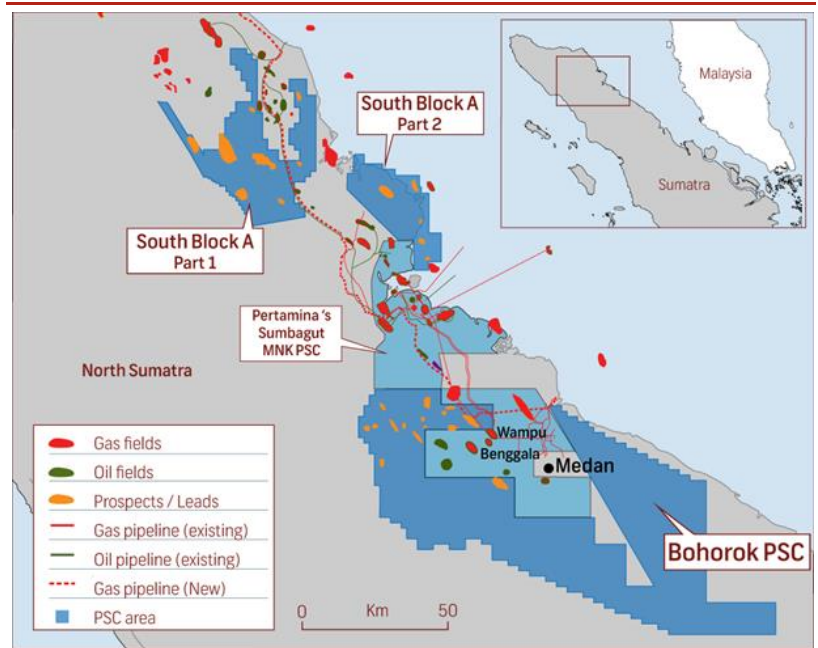
North Sumatra “Bohorok” Unconventional Joint Study

The unconventional joint study covering 4684km² was awarded on 20 February 2015. The Lion joint study area is located to the south of the South Block A PSC in which Lion holds a 35% interest and is in close proximity to the first unconventional PSC in Indonesia awarded to Pertamina in 2013 (Sumbagut MNK PSC).

Lion holds a 55% interest and is Operator of the joint study with the partly overlapping conventional PSC holders (Bukit, New Zealand Oil and Gas and SBL) having 45% interest. The cooperation with conventional holders will allow the joint venture to capture significant synergies between conventional and unconventional exploration.

The North Sumatra Basin is one of the major onshore basins in the SE Asian region with over 25tcf of gas and over 1.3 billion barrels of oil and condensate discovered. Lion’s evaluation recognises that key elements are in place for prospective unconventional (shale gas/oil and tight gas/oil) acreage.

Bohorok PSC and South Block A PSC– location map



The study, which was jointly undertaken with Padjadjaran University in Bandung, was completed during the quarter with final presentation held with the Indonesian regulator on 19 February 2016. The study highlighted the material potential within the joint study area with the key prospective intervals in Lower to Middle Miocene Belumai and Lower Baong formations. The timing of the release of the resultant PSC for tender will be dependant upon MIGAS, at which time Lion and its consortium members will have a right to match the highest offer for the block (if any).

Interest holders in the Bohorok unconventional joint study application are as follows:

Participants	Interest
	%
Lion Energy (Operator)	55.00
Bukit Energy	20.25
New Zealand Oil & Gas	20.25
Surya Buana Lestarijaya	4.50

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Central Sumatra Unconventional Joint Study Area

An unconventional joint study, covering 2481km², located in the east of the Central Sumatra Basin covering part of the Bengkalis Graben was awarded on 20 February 2015.

Lion has a 75% interest in this joint study. The conventional rights holders in the area of the joint study have an option to maintain a 25% interest in the resultant PSC, if awarded, by paying 25% of the joint study costs at completion of the study. Lion in return will evaluate the conventional potential of the area with the opportunity to review an interest if technically warranted. This cooperation between conventional and unconventional rights holders is a key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

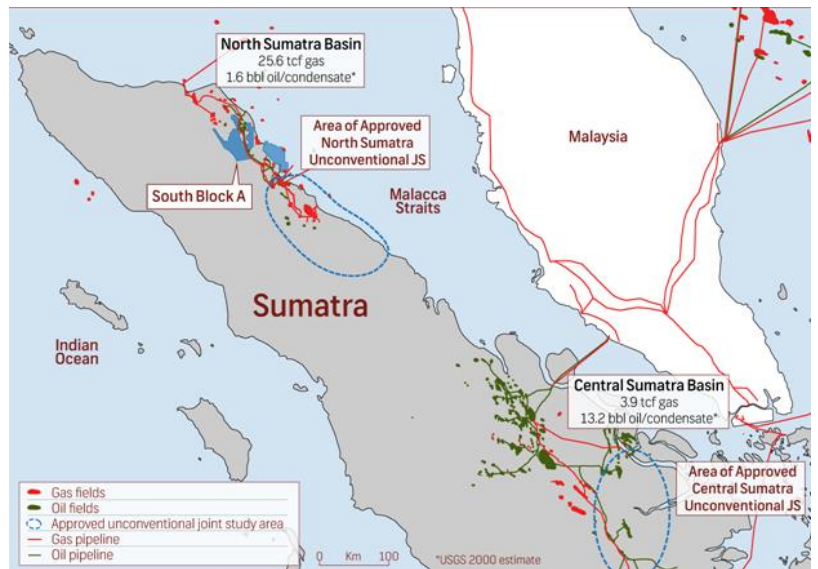
The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depocentres within the province. It hosts major discoveries; encouragement for the unconventional potential (shale gas/oil and tight gas/oil). Evaluation by Lion indicates the prospective source rocks in the area are at a suitable maturity and depositional setting to be highly attractive unconventional targets.

The joint study was conducted with the Institute of Technology Bandung which integrated regional geological and geophysical information was completed during the quarter with final meeting held with the Indonesian regulator MIGAS on 19 February 2016. As a result of the study Lion has subsequently recommended adding additional proximate areas to the study area and this is being considered by MIGAS. The timing of the release of the resultant PSC for tender will be dependant upon MIGAS, at which time Lion and its consortium members will have a right to match the highest offer for the block (if any).

Central Sumatra unconventional joint study interest holders:

Participants	Interest
	%
Lion Energy	75.00
Conventional PSC rights holder	25.00

North and Central Sumatra – Joint Study Areas location map



Unconventional Joint Study Applications

In addition to the two approved and completed joint studies, Lion has submitted two additional Joint Study Applications for potential oil and gas unconventional areas in onshore Indonesia covering a total area of about 10,000km². Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of the applications.

Additional details on each of Lion's unconventional projects can be found on the company's website and in the prospectus lodged with the ASX on 6 November 2013.

Lion continues to evaluate other joint study opportunities for both conventional and unconventional resources elsewhere in Indonesia.

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List of tenements

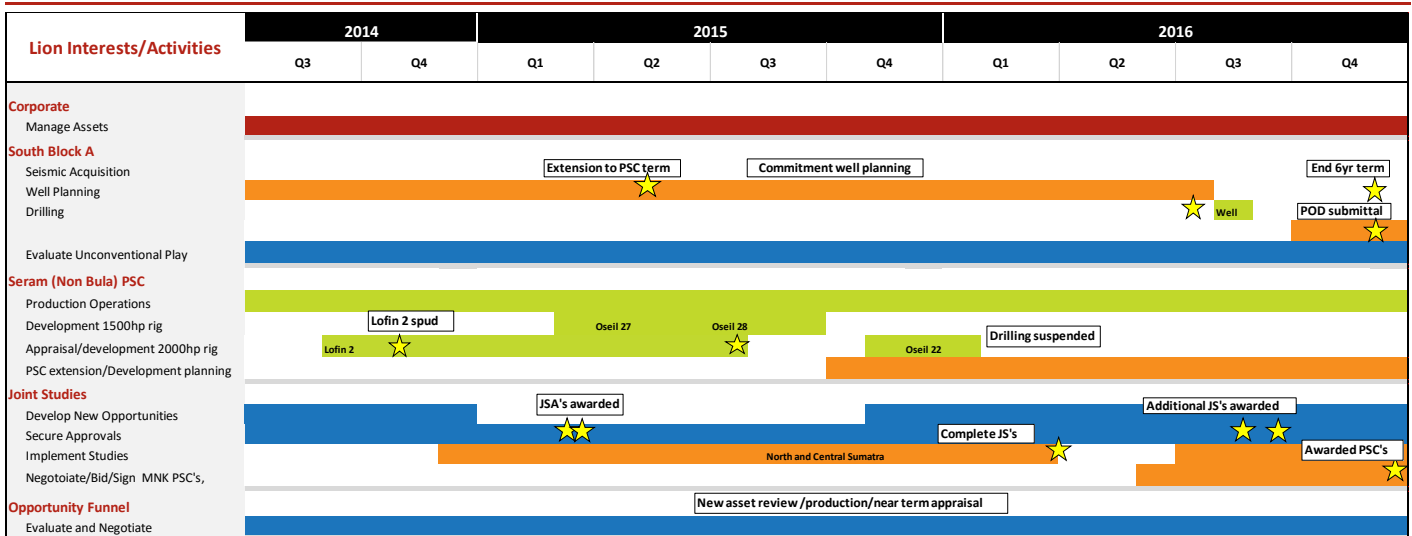
Tenement or licence area	Lion's beneficial interest	Change during the quarter	Comments
Indonesia			
Seram (Non-Bula) Production Sharing Contract	2.5%	No change	Interest held through Lion wholly owned subsidiary Lion International Investment Ltd.
South Block A Production Sharing Contract	35.0%	No change	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX).

Corporate

Activity schedule

Lion has an active new business evaluation program and is currently reviewing a number of interesting opportunities in Indonesia focusing on producing or near term producing assets. Our 2015-2016 exploration schedule is depicted in the following chart:

Lion activity and key event timeline (Q3 2014 to end 2016)



Legend

Code	Activity type
Red	Lion Corporate
Orange	Held Assets General Exploration
Green	Held Asset Field Activities (Drilling/Seismic)
Yellow	Contingent Field Activities (Drilling/Seismic)
Blue	Lion New Business Activities

★ Forecast Key Event /News flow

(Note: There is no guarantee that activities shown will occur. In addition, the timing of anticipated activities is indicative only. They are dependant on factors such as Government of Indonesia and Joint Venture approval, rig availability and unforeseen delays)

As of March 31 2016

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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

bbl: barrels

bcf: billion cubic feet

bopd: barrels oil per day

BOP: blow out preventer

ESP: Electric submersible pump

FTP: first tranche petroleum

LKG: lowest known gas

mmscfd: million standard cubic feet of gas per day

mmbbl: million barrels

MD: measured depth

PSC: Production Sharing Contract

psi: pounds per square inch feet

tcf: trillion cubic feet

ss TVD: sub-sea true vertical depth

TD: total depth

END