

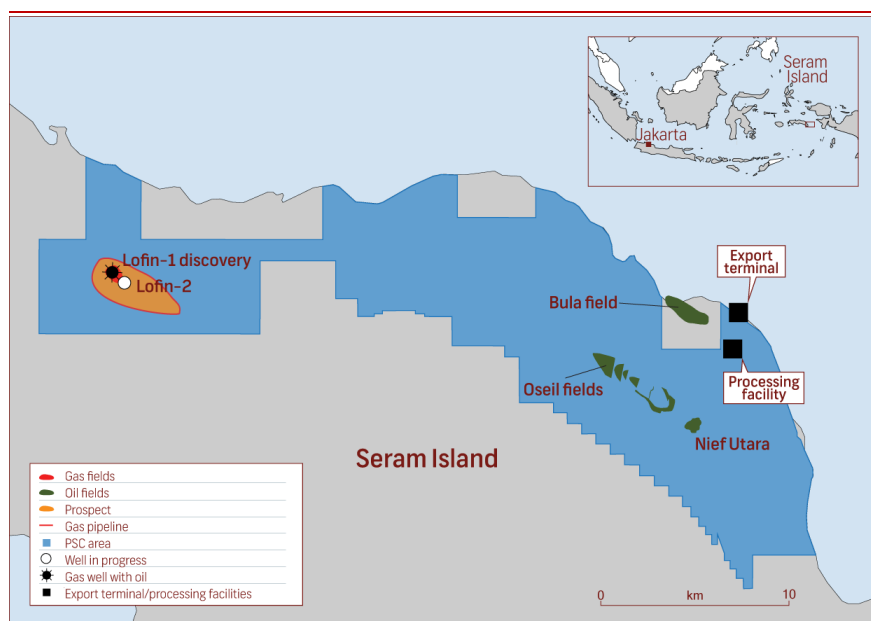
Spudding of high-potential Lofin-2 appraisal well

Highlights

- Lofin-2 appraisal well in the Seram (Non-Bula) PSC (Lion 2.5% interest) spudded 31 October 2014
- Well is testing a large anticlinal feature with a proven hydrocarbon column established by the Lofin-1 discovery well drilled in 2012
- Objective to extend the 160m known hydrocarbon column, which tested 15.7 mmscfd and 171 bpd oil/condensate
- Lion's costs of Lofin-2 covered by production revenue from the PSC

Lion Energy Ltd (ASX Code: LIO) is pleased to advise that the Lofin-2 well spudded late on 31 October 2014 and as at 5 November, is at 153m preparing to run 30" casing. 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 anticipated to take approximately 150 days to drill with a planned total depth of 5425m. The well is operated by Citic Seram Energy Ltd (51%) with other co-venturers in the Seram PSC being Kufpec (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

Seram (Non Bula) PSC – location of Lofin wells



Lion's Chairman Russell Brimage noted: "The Lofin structure has potential to be one of the larger discoveries in Eastern Indonesia in recent times. The outcome of Lofin-2 is potentially material for Lion and we will closely monitor activities in the next few months as the well approaches the objective section."

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.
- New executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute the 2014 business plan.

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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 ⁷ Working Interest		
	(P ₉₀)	(P ₅₀)	(P ₁₀)	(P ₉₀)	(P ₅₀)	(P ₁₀)
Contingent Resources ^{1,2}	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) ^{5,6}	2.46	4.56	8.04	0.062	0.114	0.201
Prospective Resources ^{3,4}	Low (P ₉₀)	Best (P ₅₀)	High (P ₁₀)	Low (P ₉₀)	Best (P ₅₀)	High (P ₁₀)
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) ^{5,6}	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

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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 16,200ft/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 is 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.

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 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 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.

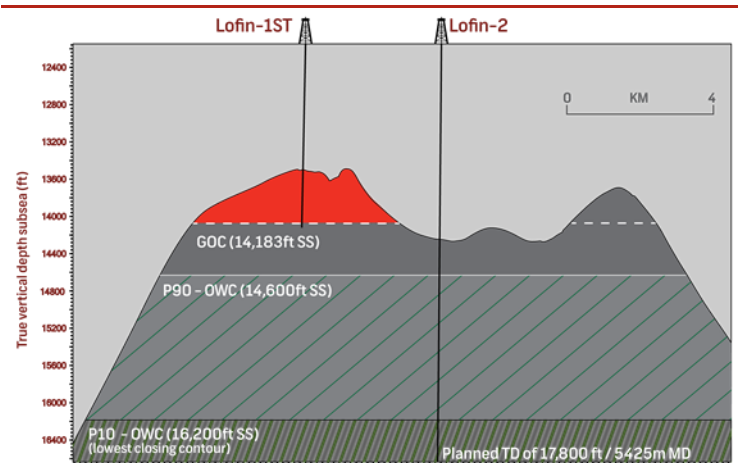
Lofin-2

Lofin-2 has a planned total depth (TD) of 17,800 ft/5425 m MD with the primary objective Manusela formation projected at 14,795 ft/4509 m 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 150 days to drill.

The projected TD 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) is anticipated to be covered by existing production revenue from the PSC.

Lofin Structure – Schematic Cross-section



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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

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