

Quarterly Report

1 April to 30 June 2017



Lion advances growth plans

Highlights

- Secured 100% rights to exciting conventional area in Eastern Indonesia
- Progress on appraisal drilling of Amanah Timur discovery
- Gross production from the Seram PSC for the quarter was 285,585 barrels (average 3,138 bopd)
- US\$464,440 received during quarter from May 2017 lifting

Lion Energy Limited (“Lion” or “Company”) is pleased to report significant advances in our new business activities including securing 100% rights to an Eastern Indonesia area with significant oil and gas potential. Good progress was made in South Block A PSC with a planned September spud of the Amanah Timur-2 appraisal well. Production continued from the Oseil oilfield in the Seram PSC, with revenue received in the quarter from the crude oil lifting in early May of US\$464,400 prior to First Tranche Petroleum payment.

In the South Block A PSC (Lion 40.7%), the Joint venture advanced appraisal drilling plans building on results and lessons from the Amanah Timur-1 discovery well. The well spud is planned for September 2017.

Production from the Seram PSC continued to perform solidly during the quarter. Average daily oil production was 3,138 bopd for the quarter (74 bopd net to Lion after deducting government take), down 8.8% from 3,480 bopd the previous quarter. Production at quarter end was 2,830 bopd as a result of natural decline and optimization adjustments. Gross crude oil production for the quarter was 285,585 bbl (6,738 bbl net to Lion), with operating costs for the quarter of US\$14.62/bbl. Proceeds of US\$464,440 from the early May 2017 crude oil lifting were received in June 2017. A lifting of around 350,000 bbl is expected in early September..

At the end of the quarter, the Company had cash of US\$1.2mil.

Lion’s CEO, Kim Morrison, noted “Lion made good progress on building our Indonesian position in Indonesia, benefiting from our on-ground presence and access to the attractive deal flow. We are pleased with the South Block A PSC appraisal plans and continue to advance some exciting production opportunities.

Finally, I would like to welcome existing and potential investors to visit our updated website (www.lionenergy.com.au), which went live on 26 July 2017, to learn more about our projects.”

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia; two conventional PSC’s.
- Net production of around 80bopd from the Seram PSC which also contains the Lofin gas/condensate discovery.
- 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 (2Q-2017)

Seram (Non-Bula) Block PSC

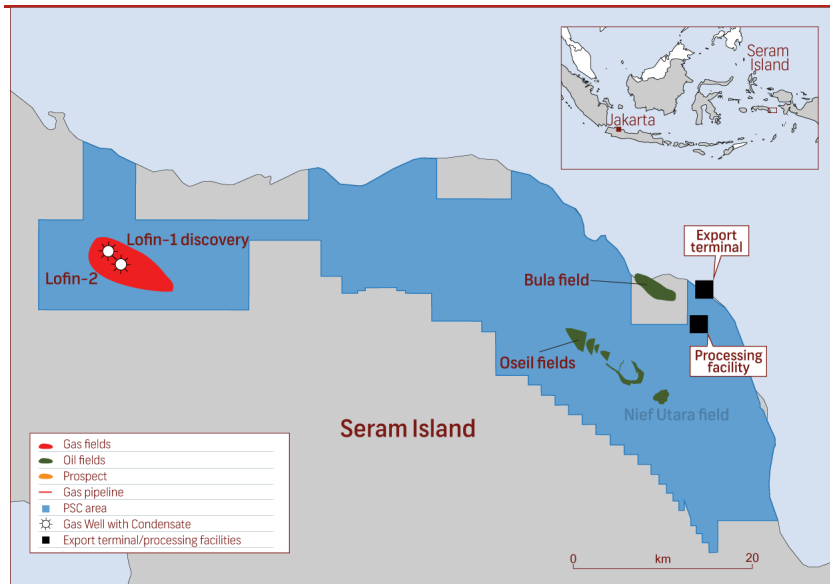
Lion, via its wholly owned subsidiary Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block PSC, located onshore Seram Island in eastern Indonesia. The major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners 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 16,306,091 barrels since production started in January 2003 through to 30 June 2017.

As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the PSC.

The PSC expires end October 2019 and the JV is working at all levels to secure an extension or renewal of the PSC over the area.

Seram (Non Bula) Block PSC - location map



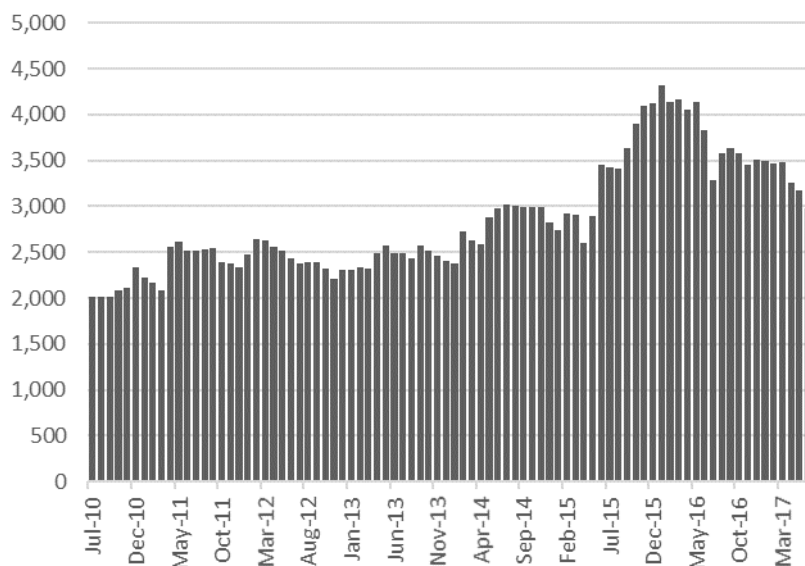
Production and revenue

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 285,585 bbl (6,738 bbl net to Lion). Daily production averaged 3,138 bopd (Lion's net working interest being 74 bopd, post government entitlement). The decline from the previous quarter, which averaged 3,480 bopd is due to forecast natural production decline as well as active management by the operator to proactively manage water cut from some key wells by reducing choke sizes.

During the quarter, the Oseil-11 ESP replacement was completed 9th April 2017.

Total oil stock as at 30 June 2017 was 216,404 bbl with a lifting scheduled for early September 2017 of approximately 350,000bbl of crude oil, with revenue from the lifting expected approximately 35 days after the lifting.

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



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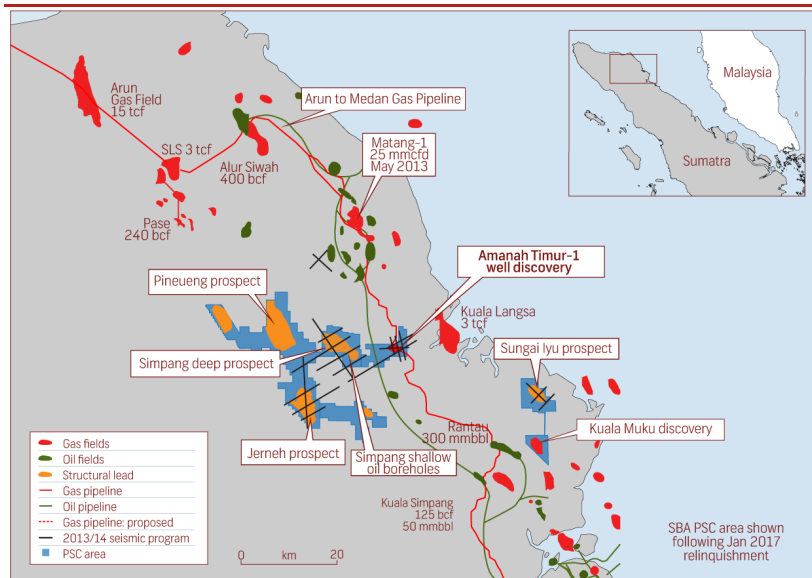


South Block A PSC

Lion has a 40.7% interest in the South Block A PSC (SBA) with the other participant being Renco Elang Energy Pte Ltd (59.3% interest and Operator).

South Block A PSC – location map

Following drilling of the AMT-1 well the Indonesian regulator for the region, BPMA, extended the SBA PSC exploration term for an additional four years, effective from 22 January 2017. The remaining area of the PSC of 421km² was delineated following a thorough technical review by the JV to ensure all identified prospects and leads were included in the area.



The “non-firm” work program in the extension period comprises 3 wells and 50km² of 3D seismic. Progress will be reviewed by the regulator after 2 years and failure to either complete the program, or have a Plan of Development submitted, may result in expiry of the PSC with no financial penalty to participants.

Amanah Timur-2 appraisal plans

Amanah Timur-1 tested a well-defined anticline which has existing shallow oil reservoirs that produced approximately 200,000 barrels of oil in a period prior to WWII. The well encountered good oil and gas indications with at least three hydrocarbon zone interpreted (“400”, “450/500” and “700” sandstones).

Amanah Timur-2 is planned to allow these zones to be fully evaluated and also test deeper objectives, including the “900” sandstone, that were not penetrated in the original well due to operational issues. The operator is currently finalising the well plan taking on board lessons from the AMT-1 well. The well is planned to spud in September 2017, subject to formal joint venture approval, with a total depth of ~550m.

Expenditures

No cash calls were paid during the quarter as the JV held sufficient funds from earlier cash calls.

Eastern Indonesian Conventional Joint Study area

A new conventional Joint Study over a highly prospective area in Eastern Indonesia was completed in March 2017 with the final meeting held with University Gajah Mada (who conducted the study) and the Indonesian regulator on 30 March 2017. By conducting the study Lion gains preferential rights to area of over 6500 km². The exact location of the area remains commercially sensitive.

In May 2017 Lion announced it had reached agreement with the management of Transform Exploration Pty Ltd (“Transform Exploration”), the partner in the Joint Study, to acquire their 50% rights to the area in exchange for issuing 4.8 million Lion ordinary shares (refer Lion’s announcement of 17 May 2017). The share issue was approved by shareholders at Lion’s AGM on 30 May 2017. As a result, Lion now has 100% rights to the area.

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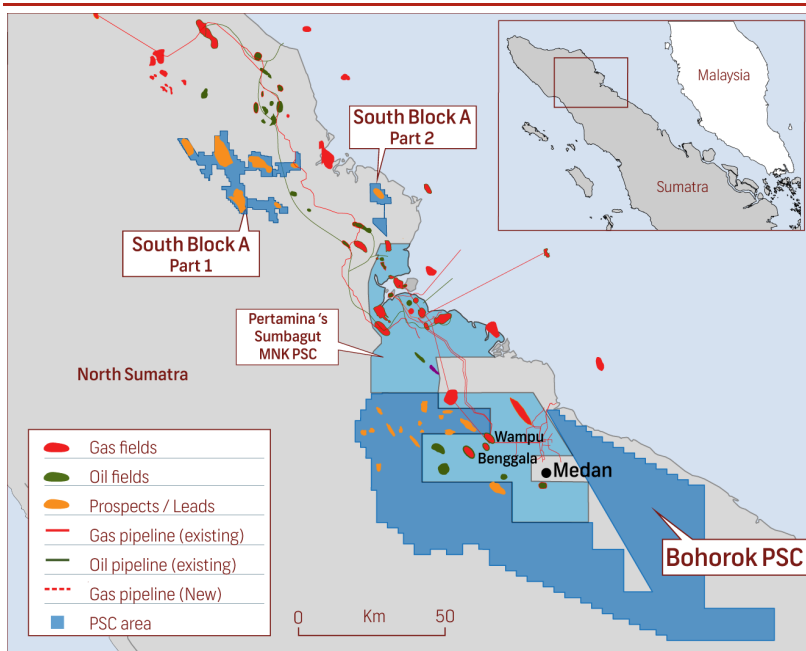
North Sumatra “Bohorok” Unconventional Joint Study

The unconventional joint study covering 4,684km² 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 40.7% 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 joint study, undertaken with Padjadjaran University in Bandung and completed in February 2016, highlighted the highly material potential within the joint study area, with the key prospective intervals identified within the Lower to Middle Miocene Belumai and Lower Baong formations. The timing of the release of the resultant PSC (which will have an area of ~3,000 km²) for tender will be dependent upon the government regulator MIGAS, at which time Lion and its consortium members will have a right to match the highest offer for the block (if any).

We are still awaiting planned testing and hydraulic fracturing of PERTAMINA’s Melucut-1 unconventional shale well in the Sumbagut PSC adjacent to Lion’s unconventional areas. This is the first shale well to be drilled in Indonesia.

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 2,481km², 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 key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

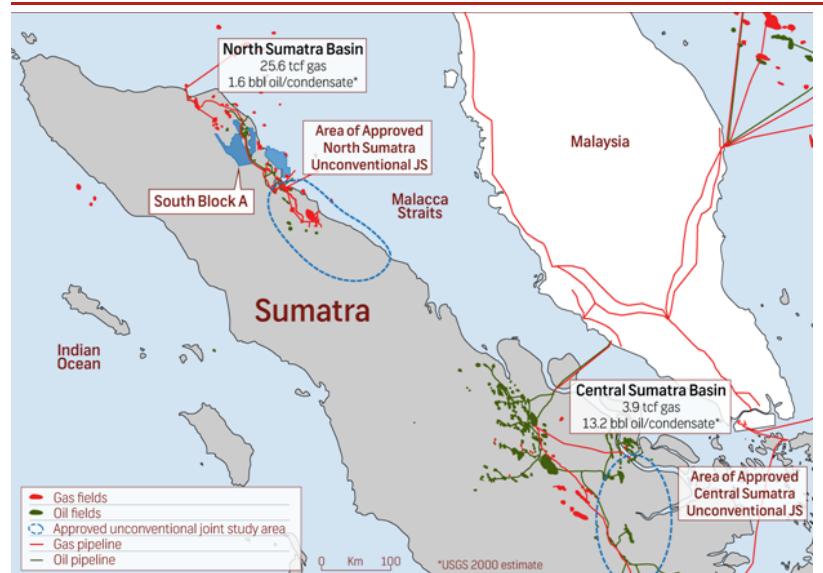
The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depocentres within the province. It hosts major discoveries; encouragement for the unconventional potential (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 and integrated regional geological and geophysical information. It was completed in 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 dependent 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



Additional Unconventional Joint Study Applications

In addition to our two completed unconventional joint studies, Lion has additional application over highly prospective areas in Sumatra. Lion made excellent progress on our second Sumatra unconventional Joint Study during the quarter with successful pre-Joint Study meeting held with the regulator MIGAS. Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of this application.

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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	40.7%	No changes	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX). Additional interest obtained through default/withdrawal of POGI in December 2016 (subject to formal Indonesian Government approval). Indonesian regulator, BPMA, extended the SBA PSC exploration term for an additional four years, effective from 19 January 2017.

Corporate

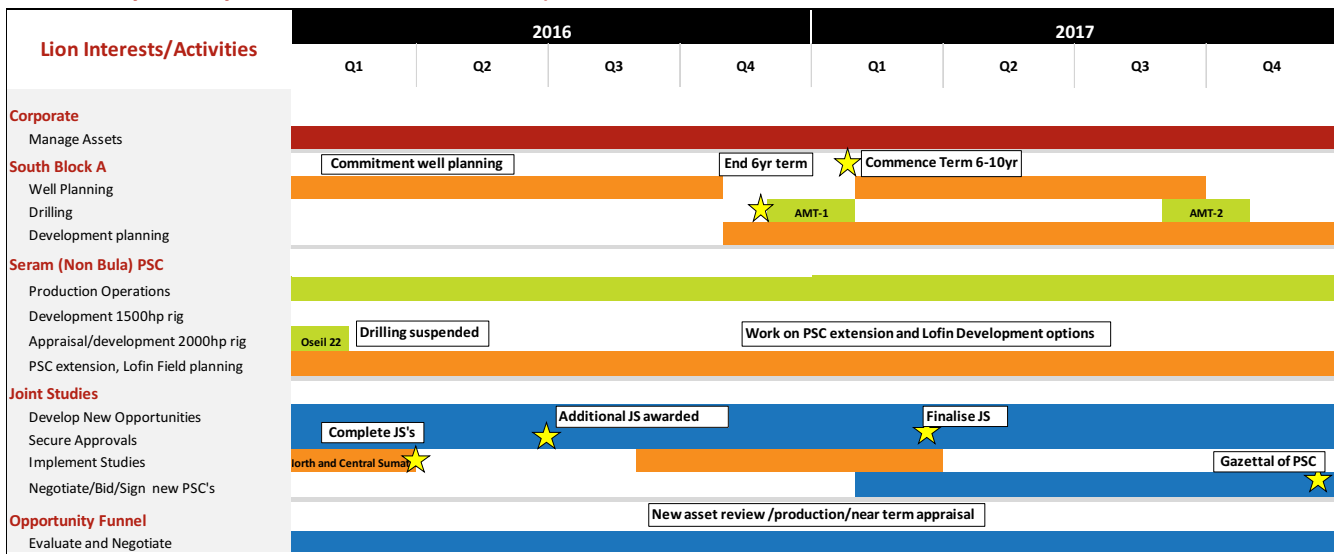
Lion held its Annual General Meeting on 30 May 2017. Lion also went live with an updated website on 26 July 2017. We would welcome current and potential investors visit the refreshed site at www.lionenergy.com.au.

Lion continues to have active input into all our ventures and is maintaining a tight rein on costs. The company is pursuing an active new business program in both Indonesia and the wider region, focusing on producing or near-term producing assets.

Activity schedule

Our 2016-2017 activity schedule is depicted in the following chart:

Lion Activity and Key Event Timeline 2016 to 2017



Legend

Code	Activity type
Red	Lion Corporate
Orange	Held Assets General Exploration
Green	Held Asset Field Activities (Drilling/Seismic)
Light Green	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)

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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 30 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

JV: joint venture

KB: Kelly bushing

mmscfd: million standard cubic feet of gas per day

mmbbl: million barrels

MD: measured depth

POS: probability of success

PSC: Production Sharing Contract

psi: pounds per square inch

tcf: trillion cubic feet

ss TVD: sub-sea true vertical depth

TD: total depth

END