

Quarterly Report

1 July to 30 September 2017



Lion continues growth strategy in improving investment climate

Highlights

- New business focus continues with improved contract terms announced by the Indonesian Government
- Gross production from the Seram PSC for the quarter was 233,081 barrels (average 2533 bopd)
- Crude oil lifting of 350,186 bbl (8755 bbl net to Lion) completed on 9 September 2017
- Exciting Amanah Timur-2 well set for 1Q-2018, avoiding wet season

Lion Energy Limited ("Lion" or "Company") is pleased to report continued good progress on advancing new business activities, spurred on by the attractive new Production Sharing Contract terms announced by the Indonesian Government. 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 a major positive development for the Indonesian oil and gas industry, the government announced material improvements to its new "Gross Split Production Sharing Contract (PSC)" regime. For new contracts and certain PSC renewals, this essentially replaces the existing traditional PSC with a more attractive system carrying improved fiscal terms. This is effectively a royalty/tax system which should significantly reduce the compliance burden on operators.

Production from the Seram PSC averaged 2533bopd for the quarter (63 bopd net to Lion prior to deducting government take). Gross crude oil production for the quarter was 233,081 bbl (5499bbl net to Lion). A lifting of 350,186bbl was completed on 9 September 2017.

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 appraisal well spud is planned for 1Q-2018 following the wet season.

At the end of the quarter, the Company had cash of US\$0.864mil, this excludes the lifting receipts of US\$362,952 received post quarter end on 17 October 2017.

Lion's CEO, Kim Morrison, noted "Lion continues to make good progress on building our position in Indonesia. We are pleased with the South Block A PSC appraisal plans now set for the first quarter of 2018, as this avoids the wet season in the North Sumatra area. Improvement to the new PSC terms signed by the Indonesian Government during the quarter are welcome and are a positive step for renewed interest in the oil and gas sector."

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.

Contact

Lion Energy Limited

ABN 51 000 753 640

ASX Code: LIO

Suite 7
295 Rokeby Road
Subiaco WA 6008
Australia
Post Box 557
Subiaco WA 6904
Australia

Tel +61 8 9211 1500 | Fax +61 8 9211 1501
info@lionenergy.com.au

www.lionenergy.com.au

Directors & Officers

Russell Brimage	Executive Chairman
Kim Morrison	Chief Executive Officer
Stuart B. Smith	Executive Director
Tom Soulsby	Non-Executive Director
Chris Newton	Non-Executive Director
Zane Lewis	Company Secretary

For more information contact

Kim Morrison
+61 404 490 964
kmorrison@lionenergy.com.au

Stuart Smith
+65 9820 3889
ssmith@lionenergy.com.au

Zane Lewis
+61 400 007 900
zlewis@lionenergy.com.au

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Operations update (3Q-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 16,538,109 barrels since production started in January 2003 through to 30 September 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.

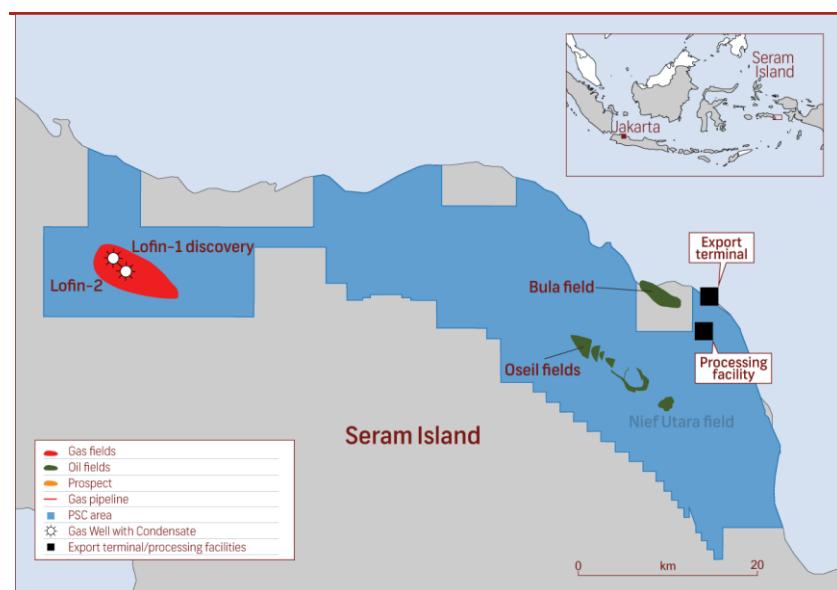
Production and revenue

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 233,081 bbl (5499 bbl net to Lion). Daily production averaged 2533 bopd (Lion's net working interest being 60 bopd, post government entitlement). The decline from the previous quarter, which averaged 3138 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. In addition, Oseil-12 well was down approx. 15 days and Oseil-21 down 3 days during the quarter, for pump servicing workovers.

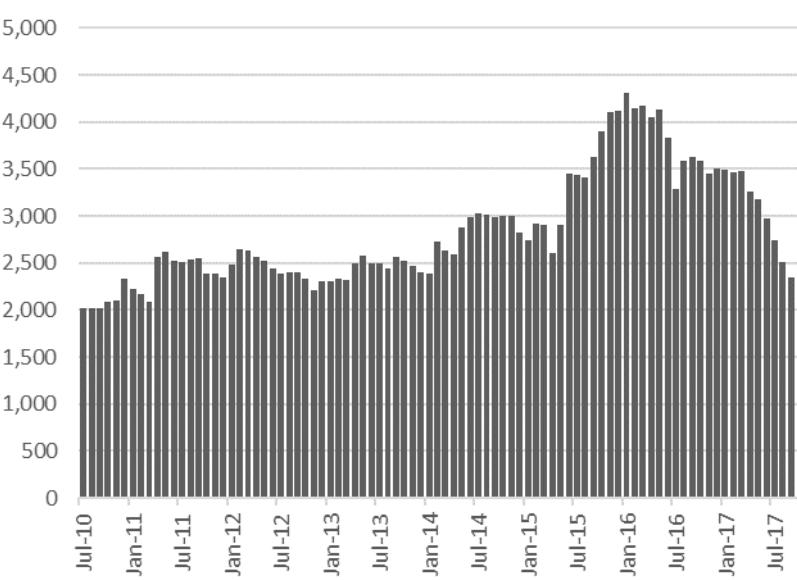
Oseil-21 well electric submersible pump failed on September 27th, resulting in production loss of approx. 350 bopd. The well service was completed October 3rd and production from the well is now back above 350 bopd.

Total oil stock at 30 September 2017 was 102,586 bbl, with the next lifting scheduled for late-December 2017.

Seram (Non Bula) Block PSC - location map



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



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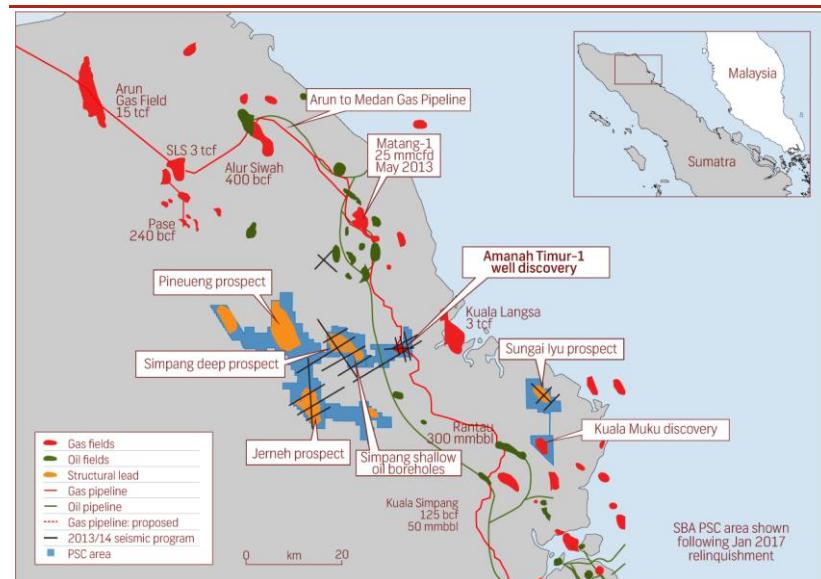
South Block A PSC

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).

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.

South Block A PSC – location map



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 zones interpreted (“400”, “450/500” and “700” sandstones).

Amanah Timur-2 is planned with the objective to fully evaluate these zones, and, also test deeper objectives, including the “900” sandstone, that were not penetrated in the original well due to operational issues. The operator has finalised the well plan taking on board lessons from the AMT-1 well. The well is planned to spud in Q1 2018 to avoid the wet season in the area with a planned total depth of ~550m. The dry hole cost is approximately US\$850,000 (Lion share US\$345,000) while the completed and tested well cost is estimated at US\$1,200,000. (Lion share US\$490,000).

Expenditures

Cash calls were paid during the quarter totalled US\$85,182.

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 an 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.

Lion expects the area will be gazetted by the Indonesian government in 2018 and we have rights to match the highest bid.

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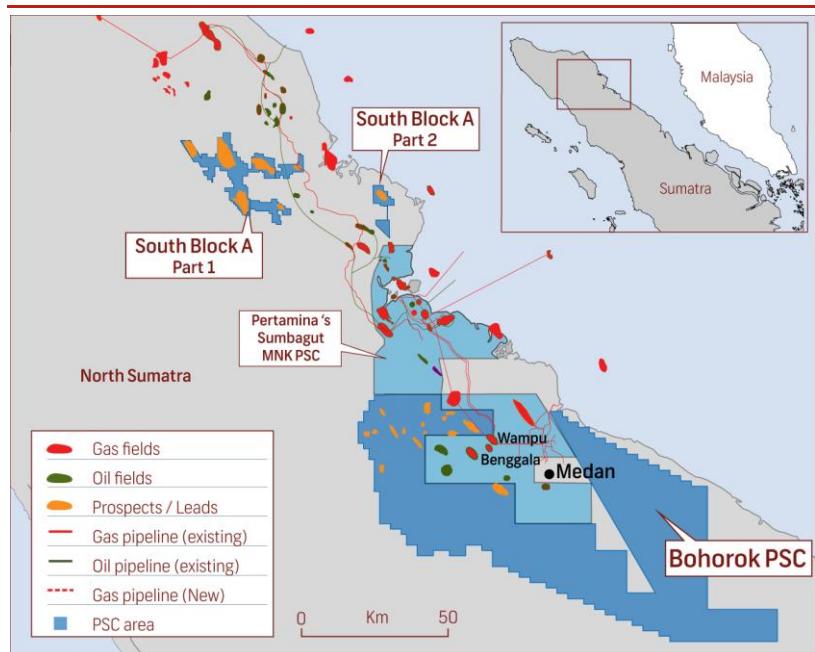
North Sumatra "Bohorok" Unconventional Joint Study

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. Lion understand that the gazettal of a high graded area of ~3,000 km² will be in the next bid round slated for late-2017 or early-2018. Terms are expected to be favourable and Lion and its consortium members will have a right to match the highest offer (if any) for the block.

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.

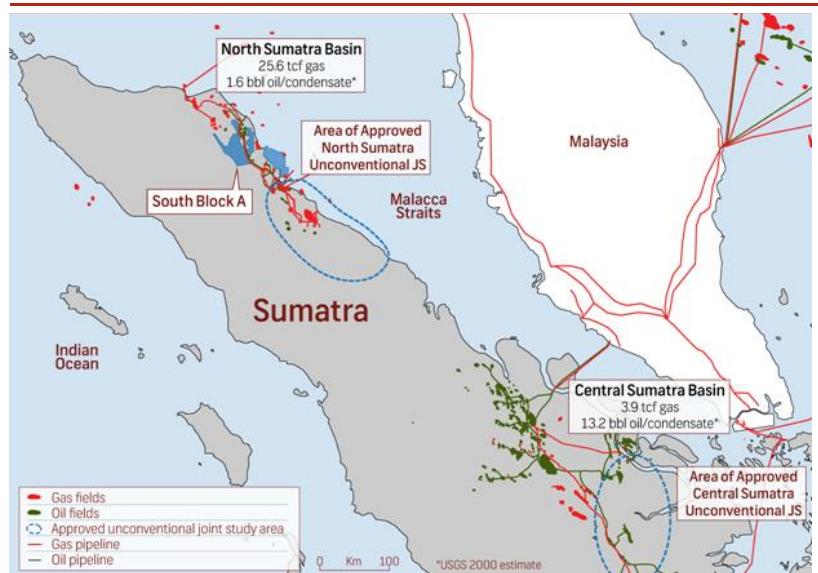
The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depocentres within the province. It hosts major discoveries; encouragement for the unconventional potential (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 (if any) for the block.

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 applications over highly prospective areas in Sumatra. With regard to our second North Sumatra unconventional Joint Study application, Lion is waiting for final regional Government approval (Indonesian regulator (MIGAS) approval already obtained). 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 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.

On 29 August 2017, a revised Indonesia Ministerial regulation (PERMEN 52/2017) was signed which allows for improved terms aimed to encourage greater participation in upcoming gazettal rounds and potentially benefits certain PSC's renewals such as Lion's Seram project.

During the quarter, Lion issued 5,252,000 shares for nil cash:

- 4,800,000 shares to Transform Exploration Pty Ltd in return for obtaining rights in the East Indonesia Conventional Joint Study
- 250,000 shares to Mr Stuart Smith as part of shareholder approved employment agreement
- 202,000 shares to consultants in lieu of cash payment.

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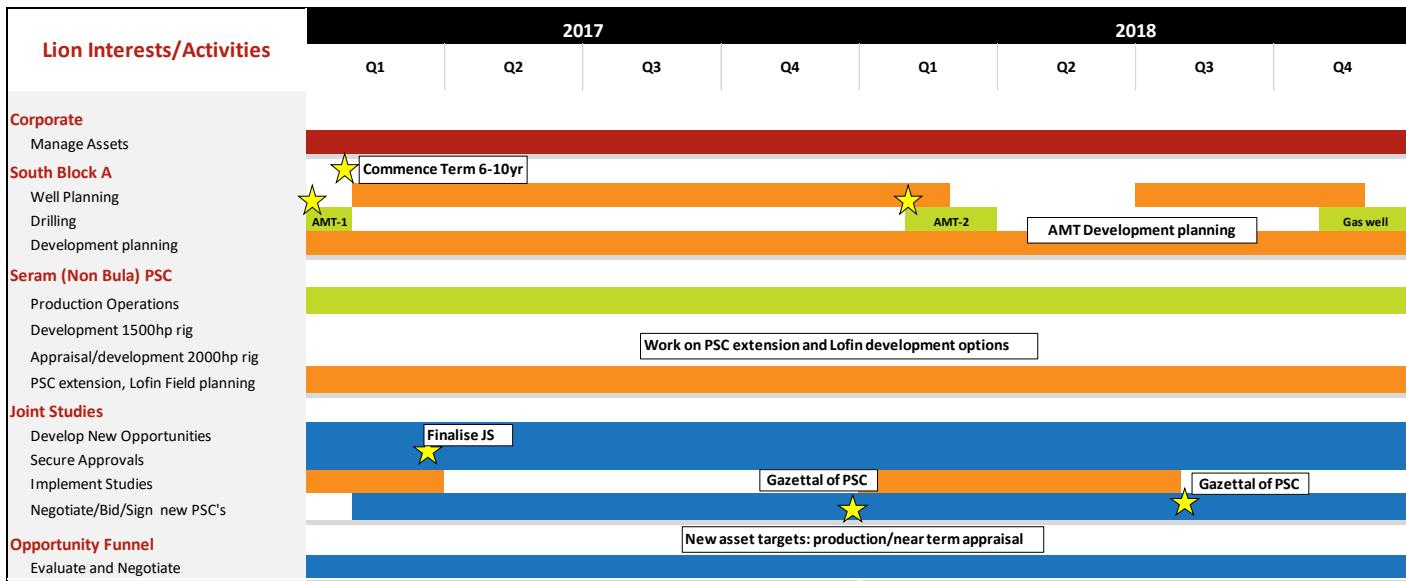
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Activity schedule

Our 2017-2018 activity schedule is depicted in the following chart:

Lion Activity and Key Event Timeline 2016 to 2017



Legend

Code	Activity type
	Lion Corporate
	Held Assets General Exploration
	Held Asset Field Activities (Drilling/Seismic)
	Contingent Field Activities (Drilling/Seismic)
	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)

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	JV: joint venture	PSC: Production Sharing Contract
bcf: billion cubic feet	KB: Kelly bushing	psi: pounds per square inch
bopd: barrels oil per day	mmscfgd: million standard cubic feet of gas per day	tcf: trillion cubic feet
BOP: blow out preventer	mmbarl: million barrels	ss TVD: sub-sea true vertical depth
ESP: Electric submersible pump	MD: measured depth	TD: total depth
FTP: first tranche petroleum	POS: probability of success	

END