

# Quarterly Report

1 October to 31 December 2017



## Solid production in strong oil price environment

### Highlights

- Gross production from the Seram PSC for the quarter was 210,206 barrels (average 2,285 bopd)
- Crude oil lifting of 250,039 bbl (5,899 bbl net to Lion) completed on 24 December 2017 with Lion share of sales revenue of US\$300,584 expected first week February 2018
- Amanah Timur-2 (AMT-2) appraisal well in South Block A PSC now planned for Q2 2018

Lion Energy Limited ("Lion" or "Company") is pleased to report continuing solid production in line with forecast natural decline from the Seram PSC and progress on South Block A PSC appraisal plans. Lion also continues to actively review new production opportunities in the region.

Production from the Seram PSC averaged 2,285 bopd for the quarter (54 bopd net to Lion). Gross crude oil production for the quarter was 210,206 bbl (5,255 bbl net to Lion). A lifting of 250,039bbl was completed on 24 December 2017, with proceeds of US\$300,584 expected to be received the first week of February 2018. Oil in tanks as at end December was 54,883 bbl.

In the South Block A PSC (Lion 40.7%), the Joint venture continues work on appraisal drilling plans of the AMT-1 discovery well. The rig owner, PERTAMINA Drilling Services (PDSI), has informed the Operator that the rig is expected to be available in early-April 2018 for AMT-2.

At the end of the quarter, the Company had cash of ~US\$795,000, with lifting receipts of US\$300,584 due to be received post quarter end, in the first week of February 2018.

Lion's CEO, Kim Morrison, noted "Lion is looking forward to aggressively building our business through 2018. This includes ongoing highly profitable production in Seram, pursuing the Seram PSC renewal post October 2019 to allow the Lofin field to be developed, and the planned appraisal of the Amanah Timur discovery. In addition, we continue to progress attractive new business opportunities focussing on conventional producing/appraisal opportunities."

### Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia; two conventional PSC's.
- Net production of around 55bopd 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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### Directors & Officers

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

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## Operations update (4Q-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 16,748,315 barrels since production started in January 2003 through to 31 December 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.

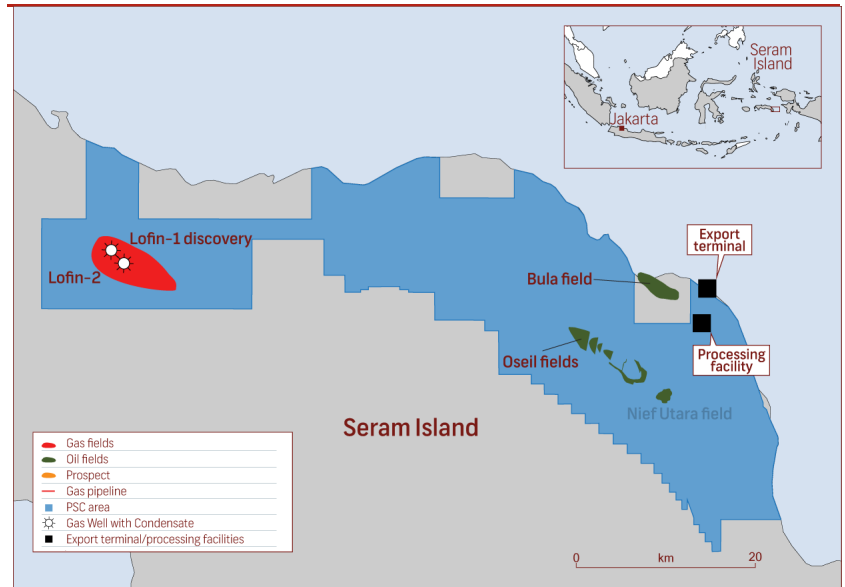
### Production and revenue

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 210,206 bbl (5,255 bbl net to Lion). Daily production averaged 2,285 bopd (Lion's net working interest being 54 bopd, post government entitlement). The decline from the previous quarter, which averaged 2,533 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. Three well services were completed during the Quarter, with all three wells back on production by 31 December 2017.

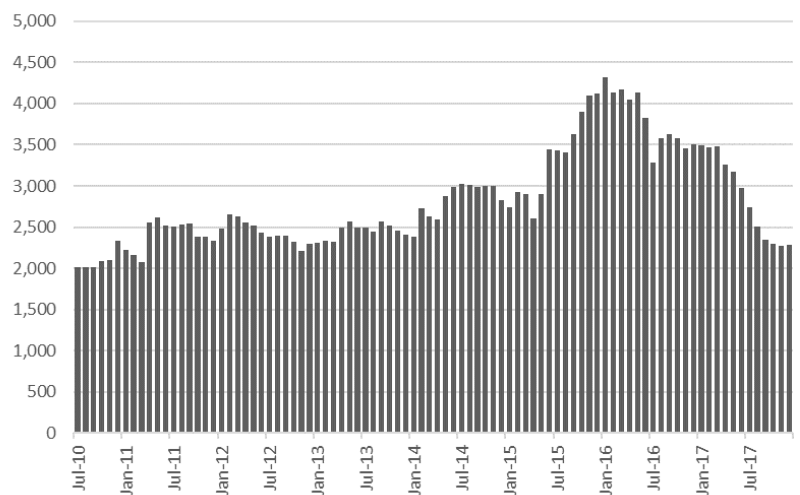
Subsequent event: Oseil-11 electric submersible pump failed on 17 January and a well service to replace the pump will be completed before end January 2018.

Total oil stock available for lifting at 31 December 2017 was 25,627 bbl, with the next lifting scheduled during the July-September 2018 Quarter.

Seram (Non Bula) Block PSC - location map



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



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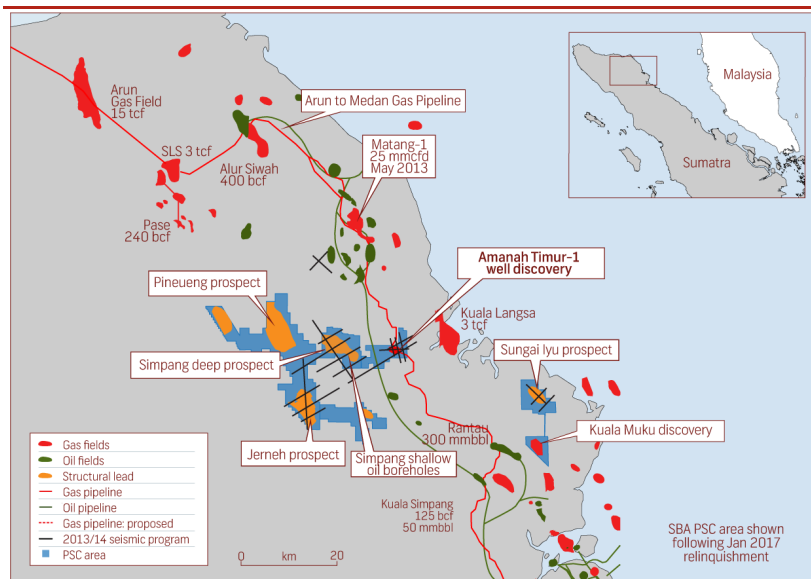
## South Block A PSC

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 421km<sup>2</sup> 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 50km<sup>2</sup> 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 is finalising the well plan taking on board lessons from the AMT-1 well. The well is currently planned to spud in April 2018, avoiding the wet season in the area. The planned total depth is approximately 550m with a dry hole cost approximately US\$850,000 (Lion share US\$345,000) while the completed and tested well cost is estimated at US\$1,100,000 (Lion share US\$490,000).

## Expenditures

Cash calls paid during the quarter totalled US\$40,154.

## 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 km<sup>2</sup>. 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 the company will have rights to match the highest bid as a result of completing the Joint Study.

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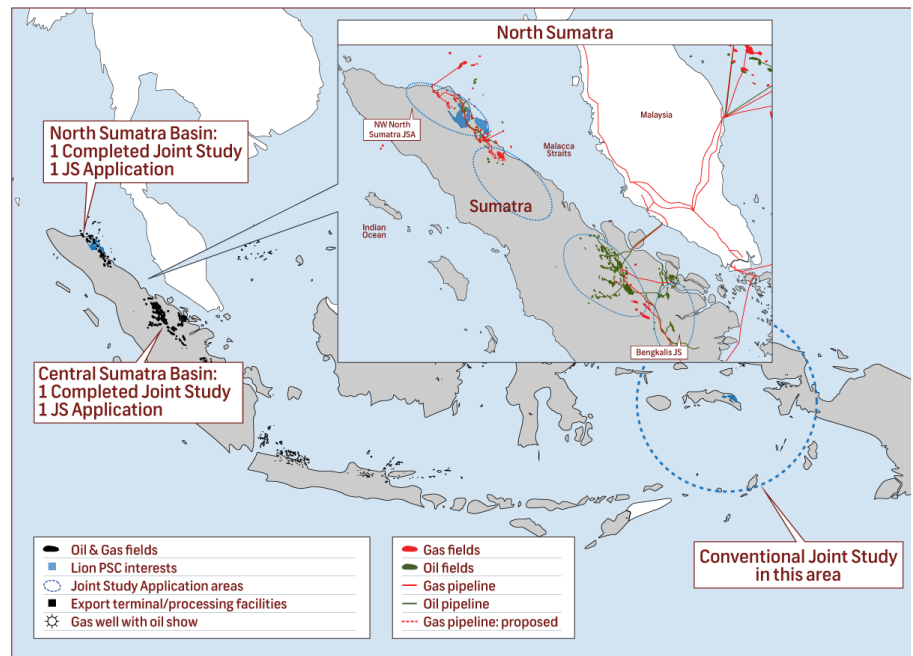


## Unconventional Joint Studies and Joint Study Applications

Lion's unconventional efforts are focussed on the prolific North and Central Sumatra Basins. Our evaluation indicates the prospective source rocks in both these areas are at a suitable maturity and depositional setting to be highly attractive unconventional targets. Potential for enormous quantities of tight (low permeability) gas and oil is also recognised by Lion.

Lion has acquired a highly attractive early mover unconventional position in Indonesia through two completed unconventional joint studies and two ongoing joint study applications totalling over 15,000 sq km. In completing the joint studies, Lion and its consortium members gain the right to match the highest offer (if any) for a block when gazetted.

### Lion Joint Studies and Joint Study Applications



Joint Study	Lion interest	Status	Comments
<b>North Sumatra</b>			
North Sumatra "Bohorok Deep" Joint Study	55%	Completed February 2016	Study of ~5000 km <sup>2</sup> conducted with participation of the conventional Bohorok PSC partners. Likely gazettal in 2018.
North Sumatra Unconventional Joint Study Application	100%	Approval to conduct Joint Study pending. Provisional approval of Indonesia regulator (MIGAS) obtained.	Application covers approximately 5000 km <sup>2</sup> of highly prospective geology.
<b>Central Sumatra</b>			
Bengkalis Unconventional Joint Study	75%	Completed February 2016	Study of area of 2481 km <sup>2</sup> conducted with conventional rights holder. 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.
West Central Sumatra Joint Study Application	~50%	Pending	Covers prospective basinal areas in west of Central Sumatra Basin. Lion working with regulator MIGAS and conventional rights holders to finalise approval.

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## List of tenements

Tenement or licence area	Lion's beneficial interest	Change during the quarter	Comments
<b>Indonesia</b>			
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.

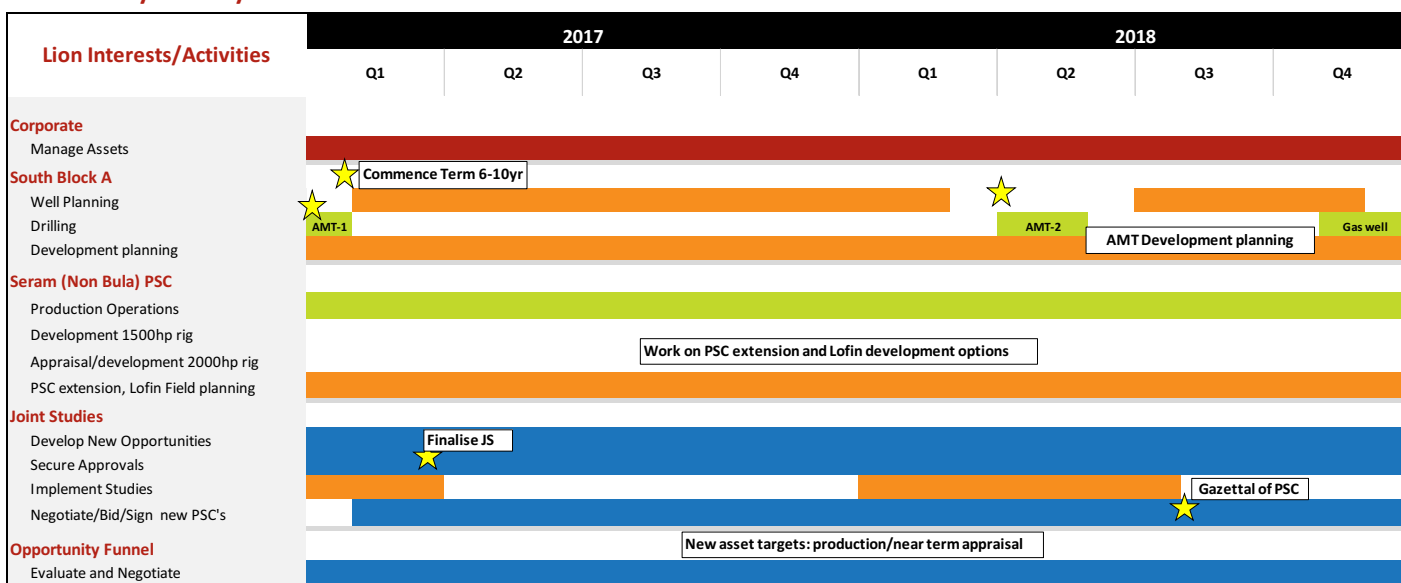
## Corporate

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.

## Activity schedule

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

### Lion Activity and Key Event Timeline 2017 to 2018



### 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)

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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**