

Quarterly Report

1 January to 31 March 2018



LION
energy

Major management changes made, new strategy adopted

Highlights

- **Gross production from the Seram PSC for the quarter was 182,704 barrels (average 2,030 bopd)**
- **Board, executive changes aimed to further reduce costs with a focus on the acquisition of production opportunities.**
- **New Chairman appointed and revised strategy adopted.**

Lion Energy Limited (“Lion” or “Company”) is pleased to report production in line with forecast natural decline from the Seram PSC. The company made significant management and board changes intended to get the company on a growth path and to further contain costs.

Production from the Seram PSC averaged 2,030 bopd for the quarter (48 bopd net to Lion). Gross crude oil production for the quarter was 182,704 bbl (4,568 bbl net to Lion). During the quarter, Lion received funds of US\$300,584 for the lifting of 250,039bbl completed 24 December 2017. Oil available for lifting at quarter end was 234,892 bbls

In the South Block A PSC (Lion 40.7%), the Joint venture is mobilising for drilling the AMT-2 well, building on results and lessons from the AMT-1 discovery well. The rig owner, Pertamina Drilling Services (PDSI), has informed the Operator that the rig is expected to now spud in late July (previously March). Despite working with the operator to delineate this resource, Lion is considering farming out or divesting this asset in line with the company’s new strategy as outlined below.

During the quarter, the new Chairman, Tom Soulsby, led a strategic review for Lion’s Board and following a review of the entire portfolio, the Company has decided to direct its resources to acquiring oil and gas producing assets in Southeast Asia, whilst looking to dispose those assets considered non-core.

In line with this revised strategy, the Company now intends to retain the Seram PSC core production and cash flow asset, and intends to further build its portfolio via acquisition or farm-in. Additional interests in producing assets and other opportunities considered complimentary to producing assets will also be considered. The Company also intends to pursue operatorship in any new ventures where the position is available.

Non-core assets are those that the Company considers higher risk exploration assets, not complimentary to producing assets, specifically the inventory of joint studies, conventional or unconventional completed or in process.

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia; two conventional PSC’s.
- Net production of around 50bopd from the Seram PSC which also contains the Lofin gas/condensate discovery.
- New focus on production opportunities in Southeast Asia
- 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

Tom Soulsby	Executive Chairman
Damien Servant	Executive Director
Russell Brimage	Non-Executive Director
Chris Newton	Non-Executive Director
Zane Lewis	Non-Executive Director & Company Secretary

For more information contact

Tom Soulsby

+62 8121065956

tsoulsby@lionenergy.com.au

Damien Servant

+65 9710 3104

dservant@lionenergy.com.au

Zane Lewis

+61 400 007 900

zlewis@lionenergy.com.au

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It is expected that the initial opportunities will be predominantly located in Indonesia, where the Company is able to leverage the executive teams in-country network, including management's experience, database and reputation for delivering value to shareholders via reserves, cash flow and production growth.

Resulting from initiatives invoked following the strategic review process, the Company has received expressions of interest from several parties for the non-core assets. The company intends to initiate a negotiation process and will provide an update to you in due course.

New board configuration

The company announced a strategic review and Board changes back in February 2018. We would like to take the opportunity to thank the outgoing CEO, Kim Morrison, for his tireless persistence and significant contribution to the development of the Company's portfolio over the past 4 years. CFO and Executive Director, Stuart Smith ably supported Kim. Both gentlemen resigned as Directors and executives and I wish them well in the future.

We are fortunate to have two excellent new Board members complimentary to the new strategy. Specifically, Zane Lewis and Damien Servant. Zane is the Company Secretary at Lion and has over 20 years of corporate advisory experience with various ASX and AIM companies.

Damien was the Chief Financial Officer of Risco Energy and has more than 15 years of experience in M&A and capital markets with various financial institutions in the region.

Chris Newton remains a non-executive director and Tom Soulsby moves from being a non-executive director to Executive Chairman.

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Operations update (Q1-2018)

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 16,931,018 barrels since production started in January 2003 through to 31 March 2018.

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

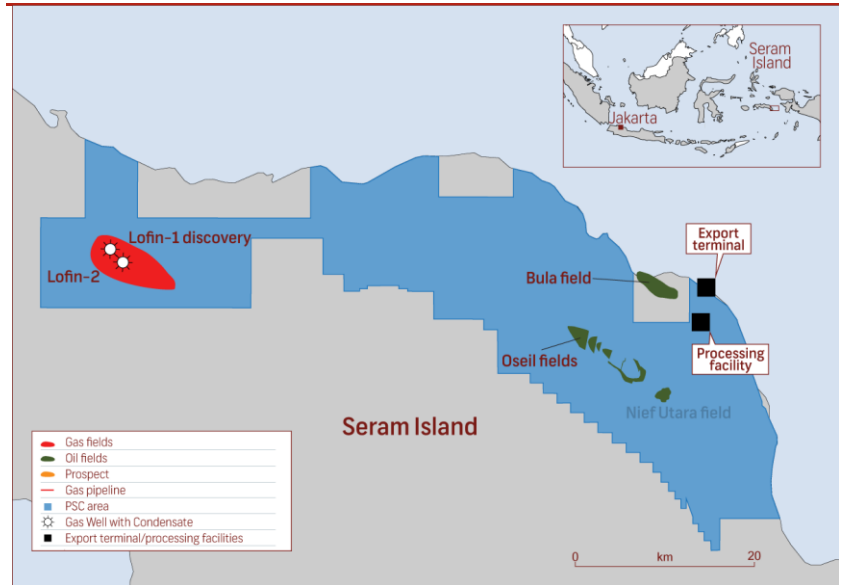
The PSC expires end October 2019 and the JV is working at all levels to secure an extension or renewal of the PSC over the area.

Production and revenue

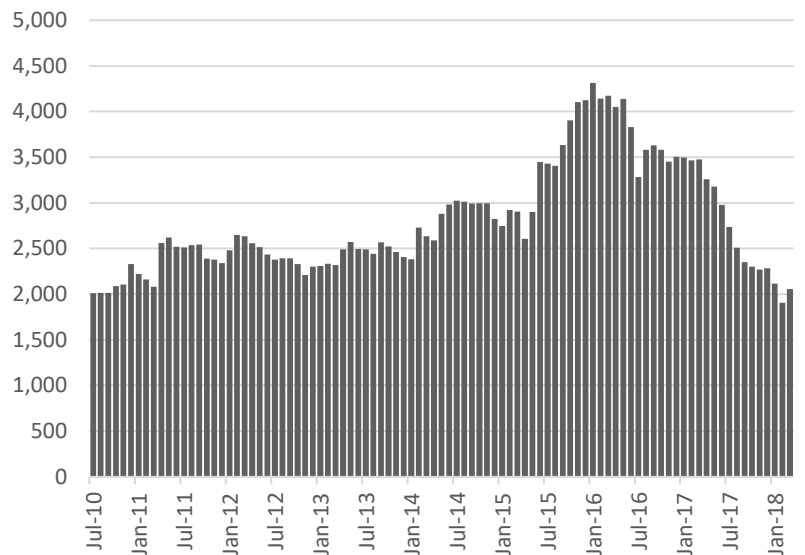
During the quarter, gross crude oil production from Oseil and surrounding oilfields was 182,704 bbl (4568 bbl net to Lion). Daily production averaged 2,030 bopd (Lion's net working interest being 48 bopd). The decline from the previous quarter, which averaged 2,285 bopd is due to, and in line with forecast natural production decline. Three well services were completed during the Quarter, with all three wells back on production by 31 March 2018

Crude oil available for lifting at 31 March 2018 was 234,892 bbl, with the next lifting scheduled for June, 2018.

Seram (Non Bula) Block PSC - location map



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



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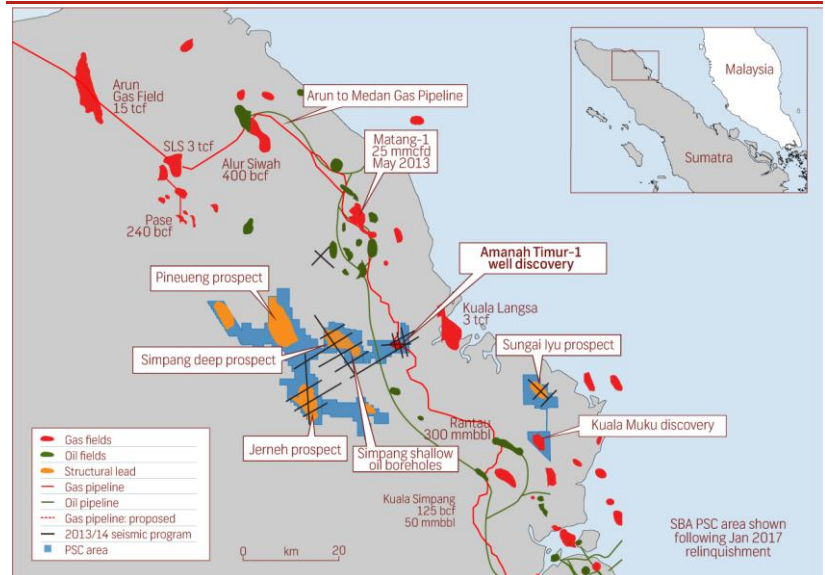
South Block A PSC

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).

Whilst Lion is currently working to delineate the resource potential and appraisal plans with the Operator, the Lion Board is considering farm out and/or divestment options for the asset in line with the Company’s revised strategy.

The Amanah Timur-2 well is now planned for around July 2018 with the objective to fully evaluate the identified hydrocarbon 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 planned total depth is approximately 550m with a dry hole cost estimated at 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).

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 sq.km. 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.

The Indonesian government gazetted the area in early 2018 and the company will have rights to match the highest bid having completed the Joint Study.

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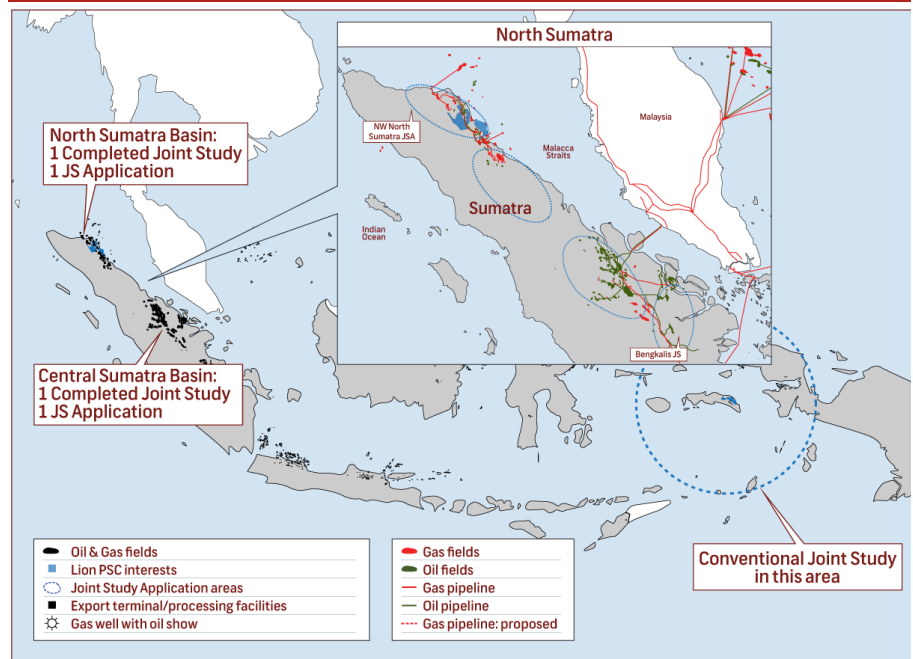


Unconventional Joint Studies and Joint Study Applications

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
North Sumatra			
SE North Sumatra Joint Study	55%	Completed February 2016	Study of ~5000 km ² conducted with participation of the conventional Bohorok PSC partners. Likely gazetted in 2018.
North West North Sumatra Joint Study Application	100%	Approval to conduct Joint Study pending. Provisional approval of Indonesia regulator (MIGAS) obtained.	Application covers approximately 5000 km ² of highly prospective geology.
Central Sumatra			
Bengkalis Joint Study	75%	Completed February 2016	Study of area of 2481 km ² 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
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 control 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.

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, former 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 has consented 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

Sq.km: square kilometres

ss TVD: sub-sea true vertical depth

TD: total depth

END