

Quarterly Report

1 April to 30 June 2018



Two new contracts signed, non core asset divested, balance sheet strengthened

Highlights

- Lion awarded the East Seram Block, with formal signing of the Gross Split PSC on July 17, 2018.
- Seram (Non-Bula) PSC extended, as a new gross split PSC, for a further 20 year term on May 31, 2018. Lion has a 2.5% participating interest in the Seram (Non Bula) PSC.
- Lion raises \$3.09M in an oversubscribed capital raise.
- A lifting of crude oil was completed at Seram (Non-Bula) PSC on June 25, 2018, with gross revenue to Lion in excess of US\$580,000 expected to be received in early August 2018.
- Gross production from the Seram (Non Bula) PSC for the quarter was 175,883 barrels (average 1,933 bopd).
- Execution of agreement to divest the non-core South Block A PSC .

Lion Energy Limited ("Lion" or "Company") is pleased to report on milestone achievements during the Quarter.

The combined effect of the renewal of the Seram (Non Bula) Block PSC ('SNBB') and the award to the company of 100% participating interest in the new and sort after East Seram Gross Split PSC, places Lion in the enviable position of:

- Having ongoing production revenue from the Oseil oilfield, with plans to increase production to in excess of 2500 bopd by further development drilling planned to commence late 2018 subject to Government of Indonesia approval.
- Being party to a major gas development opportunity at the 2 TCF resource Lofin gasfield discovery.
- Holding a 100% participating interest in the East Seram Gross Split PSC ('East Seram PSC') that lies within the North Seram Basin and remains under explored despite activity in the Bula, Oseil and Lofin areas. Approximately 43 Seram Island exploration wells mainly drilled onshore, have resulted in 10 discoveries, including the Bula oilfield (produced in excess of 20 million barrels of crude oil and still producing), the Oseil and Nief Utara oil fields (produced in excess of 17 million barrels of crude oil and still producing), and the recently discovered 2 TCF resource Lofin gas field which extends into the East Seram PSC. The East Seram PSC block has an area of approximately 6500 sq.kms and surrounds the SNBB. The East Seram PSC has numerous prospects and leads identified by Lion and prior operators of the area.

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, initial focus on Seram Island.
- Executive team and strategic investors with impressive track records for value creation in Indonesia.

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Quarterly Report

1 April to 30 June 2018



Production from SNBB averaged 1,933 bopd for the quarter (46 bopd net to Lion). Gross crude oil production for the quarter was 175,883 bbl (4,150 bbl net to Lion). During the quarter, a crude oil lifting of 359,929 bbls was completed at a realised price of US\$64.70 per barrel. Lion's gross revenue receipt from the lifting will be in excess of US\$580,000 and is expected to be received early August 2018.

The sale of Lion's interest in the South Block A PSC ("SBA") will largely complete Lion's non core asset sale process, and will allow the Company to move forward and focus on building a portfolio of production and development assets in SE Asia with an initial focus on the exciting Seram Island interests.

Operations update (Q2-2018)

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 ('SNBB'), located onshore Seram Island in eastern Indonesia.

During the Quarter there were changes in the equity holding in the joint venture;

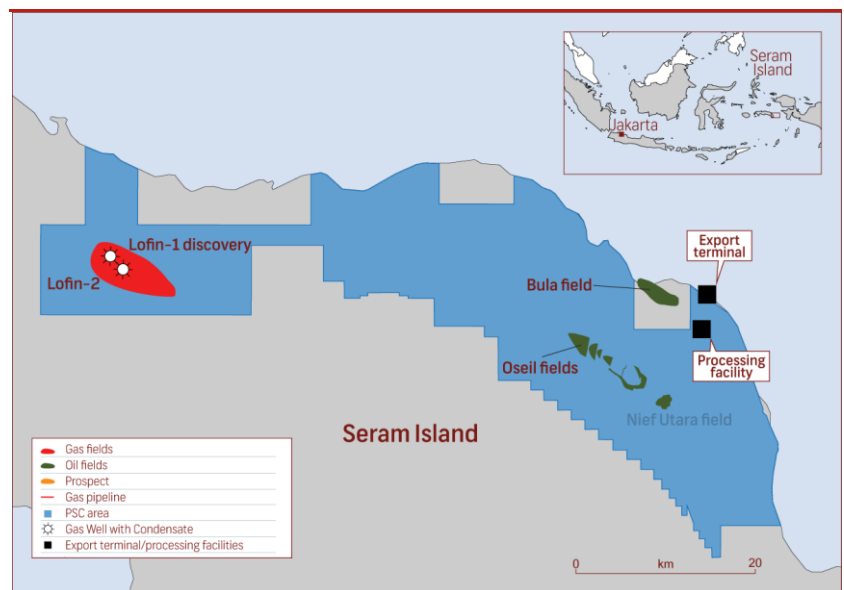
- The Operator CITIC Seram Energy Ltd diluted from 51% to 41%, retaining Operatorship, with incoming joint venture partner PT GHJ Seram Indonesia acquiring the 10% divestment by CITIC.
- KUFPEC (Indonesia) Ltd divested of its 30% participating interest to incoming joint venture partner PT Petro Indo Mandiri.
- Gulf Petroleum Investment retains its 16.5% joint venture participating interest.

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 17,106,901 barrels since production started in January 2003 through to June 30, 2018.

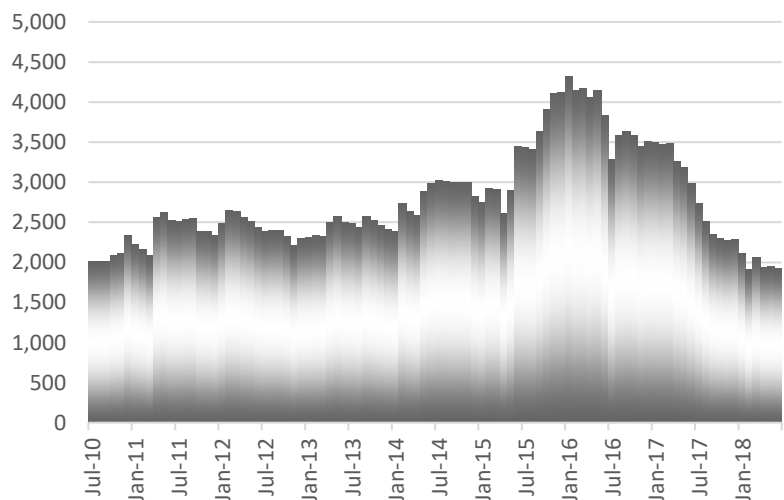
As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the PSC.

The renewal, as a new gross split PSC, of SNBB with the official signing of the extension for a further 20 year term was executed May 31, 2018, between the joint venture partners and the Ministry of Minerals Resources of the Republic of Indonesia.

Seram (Non Bula) Block PSC - location map



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



Quarterly Report

1 April to 30 June 2018



This is a significant milestone in that it provides the joint venture participants:

- The opportunity to proceed with the final appraisal and development of the significant Lofin gas discovery resource of in excess of 2 TCF.
- The opportunity to complete the full drilling program of the Plan of Further Development ('POFD') approved by the Indonesian regulatory body SKK Migas, on May 5, 2015. Only six of the 10 wells approved in the POFD were drilled due to the uncertainty of the SNBB renewal, with the pending expiry of the block limiting the time for recovery of the drilling expenditure. The six wells drilled in the POFD have produced in excess of 3 million barrels of crude oil since production commenced in January 2014. Of the 25 wells drilled in the Oseil oilfield, 12 of which are located in the Oseil-2 fault block, 6 of the 12 are POFD wells and the remaining 4 approved under the POFD will also be drilled in the Oseil-2 fault block.
- The POFD was officially approved by the the Indonesian regulatory body SKK Migas, on May 5, 2015. However 4 wells in the POFD program were drilled prior to the official approval under a negotiated arrangement with the regulatory body.

Production and revenue

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 175,883 bbl (4150 bbl net to Lion). Daily production averaged 1,933 bopd (Lion's net working interest being 46 bopd). The decline from the previous quarter, which averaged 2,030 bopd is due to, and in line with forecast natural production decline. Two well services were completed during May 2018, with both wells back on production.

Crude oil available for lifting at 30 June 2018 was 27,133 bbl following the lifting completed June 25, 2018. The next lifting is scheduled for December 2018

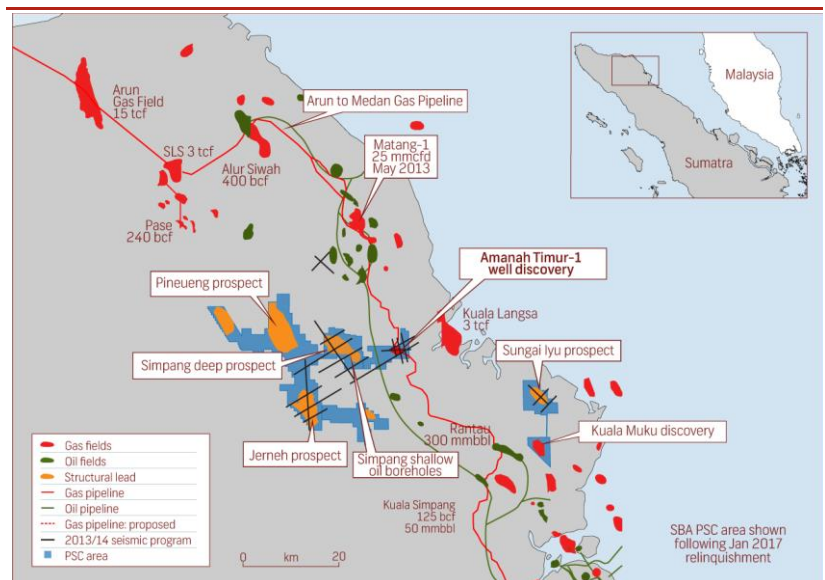
South Block A PSC

Lion indicated in the Company's Q1 2018 report that it was considering the sale and/or farm out of its 40.7% interest in the South Block A PSC (SBA). The other other participant in SBA is Renco Elang Energy Pte Ltd (59.3% interest and Operator).

Lion is pleased to advise it has executed an agreement (post end of quarter) to sell the Company's holding in South Block A ("SBA") to Blue Sky Resources Ltd ("BSRL") for a nominal amount of \$10. Lion retains a right to a production royalty with a maximum value of US\$4,500,000. Under the terms of the royalty agreement, Lion is entitled to a royalty equal to 0.8% of the revenue derived from the SBA PSC up to a maximum of US\$4,500,000. The royalty will accrue and become payable once 50% of the SBA PSC cost recovery pool at first oil has been recovered.

Lion retains an exposure to the AMT2 well via its royalty, but has no further obligations to the SBA JV.

South Block A PSC – location map



Expenditures

No cash calls were paid during the quarter and under the deal, Lion has no more financial obligations to the SBA JV .

Quarterly Report

1 April to 30 June 2018



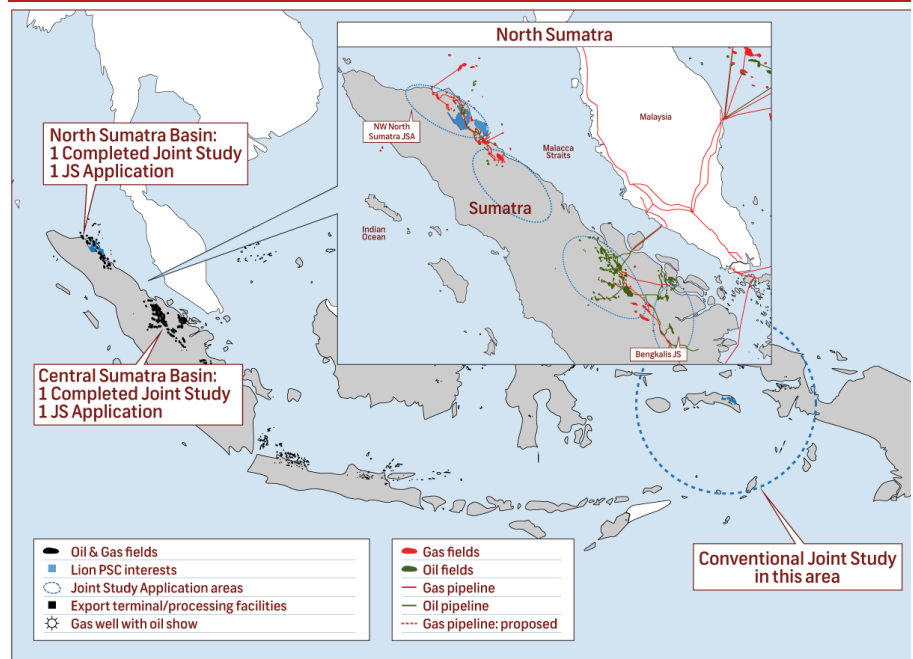
Unconventional Joint Studies and Joint Study Applications

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 is reconsidering its position in relation to these rights, and will likely exit in 2018.

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.

Quarterly Report

1 April to 30 June 2018



List of tenements

Tenement or licence area	Lion's beneficial interest	Change during the quarter	Comments
Indonesia			
Seram Island			
Seram (Non-Bula) Gross Split Production Sharing Contract	2.5%	No change	Interest held through Lion wholly owned subsidiary Lion International Investment Ltd.
East Seram Gross Split Production Sharing Contract	100%	+100% Newly awarded	Interest held through Lion wholly owned subsidiary Balam Energy Pte Ltd
Sumatra Island			
South Block A Production Sharing Contract	0%	-40.7% Sold to Blue Sky Resources (post quarter end)	Interest was 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

Whilst the company continues to maintain a tight control on costs, Lion completed a capital raise of \$3.09m with specific focus on Seram Island. The company is pursuing an active new business program in both Indonesia and the wider region, focusing on producing or near-term producing assets.

Qualified petroleum reserves and resources evaluator requirements

In accordance with ASX Listing Rule 5.43 the Company confirms that references to petroleum reserves, contingent resources and prospective resources have previously been announced (most recently in the Company's Annual Report dated 19 April 2018). The Company confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all the material assumptions and technical parameters underpinning the estimates in this announcement continue to apply and have not materially changed.

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