

Quarterly Report

1 October to 31 December 2018



Lion Energy Limited

Highlights

Lion Energy Limited (“Lion” or “Company”) is pleased to report steady progress during the 4th quarter of 2018 on its revamped strategy.

-)] Lion announced its intention to acquire a further 16.5% of the Seram (Non Bula) Block PSC, which contains additional contingent resources 333BCF gas and 3.02mmbbls of condensate and 0.7mmbbls of 2P oil reserves¹.
-)] Following the execution of the East Seram Gross Split PSC in Q3 2018, Lion commenced hosting prospective farm-in partners and we expect to conclude the farmout mid-2019.
-)] Seram (Non Bula) Block PSC production for the quarter was 4,026 bbls net to Lion.
-)] Lion’s crude oil lifting entitlement from a lifting completed in December is approx. US\$435,365 and is expected to be received early February 2019.

During the Quarter, Lion reported that it entered into a conditional sale and purchase agreement with Gulf Petroelum Investment Company KSCC (“GPI”) to acquire GPI’s 16.5% stake in the Seram (Non Bula) PSC (“SNB”), increasing Lion’s stake to 19%. Through the transaction, which is subject to Lion successfully funding the transaction and shareholder approval, the company will capture some 58.5mmboe’s of contingent resources and 0.7mmboe’s of 2P reserves.

Mr Soulsby, Lion’s Chairman said that “we reported in our Q3, 2018 quarterly announcement our desire to increase our stake in the SNB PSC. This announcement is further evidence of Lion delivering on its promises and strategy. The opportunity is a game changer for Lion, and subject to funding and completion, will springboard the company into a significant regional player on the basis of reserves once commercialisation milestones are satisfied on the large Lofin gas and condensate discovery”.

Lion also previously reported the award of a 100% participating interest in the East Seram PSC which is an exciting addition for the company, and forms a significant part of the revised strategy. The block contains 14 leads with some 770mmboe of prospective resources including the highly ranked MA-7 oil prospect and the Lofin Field extension with a prospective 2P resource of 154BCF². Lion is presenting to multiple quality potential farniees for the East Seram Block and opened a dataroom in November, 2018.

Production from SNB averaged 1,855 bopd for the quarter (44 bopd net to Lion). Gross crude oil production for the quarter was 170,659 bbl (4,026 bbl net to Lion). A crude oil lifting of 368,857 bbls was completed on 24 December 2018, leaving only 1369 bbls in stock available for lifting at 31 December 2018. Lion’s share of the lifting proceeds is approx. US\$435,365, based on the oil price for the lifting of \$47.21/bbl. Receipt of proceeds is expected early February 2019.

Lion at a glance

-)] ASX listed oil and gas E&P company focused on Seram Island, East Indonesia; two conventional PSC’s on gross split terms.
-)] 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.

Contact

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¹ See Lion’s latest disclosure contained in its announcement dated September 7, 2018 and October 8, 2015.

² See Lion’s latest disclosure contained in its announcement dated September 10, 2018

Lion is not aware of any new information or data that materially affects the Lofin contingent resource and that all material assumptions and technical parameters underpinning the resource continue to apply and have not materially changed.

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Operations update (Q4-2018)

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

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 17,499,422 barrels since production started in January 2003 through to 31 December 2018.

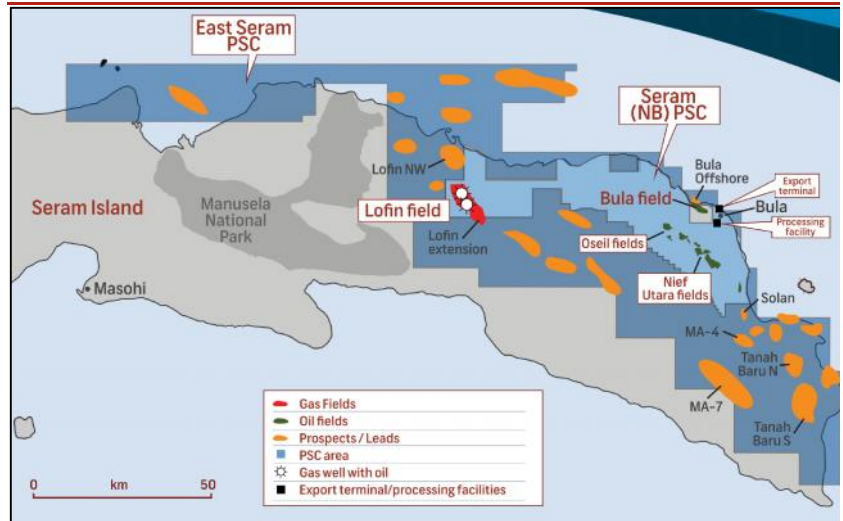
As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the SNB.

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 31 May 2018, between the joint venture partners and the Ministry of Minerals Resources of the Republic of Indonesia.

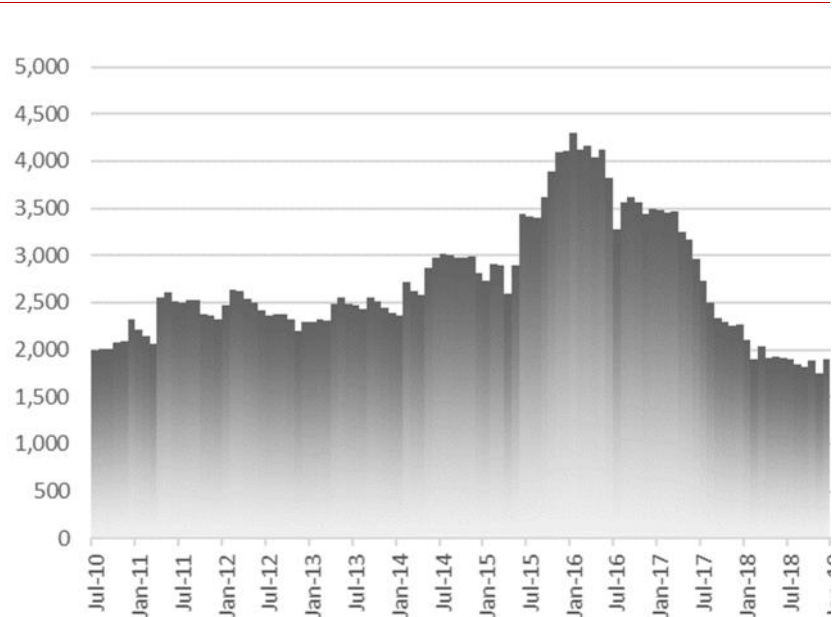
This significant milestone provides the joint venture participants:

-) 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 5 May 2015. Only six of the 10 wells approved in the POFD were drilled due to the uncertainty of the SNB 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 3.289 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.
-) Whilst the POFD was officially approved by the the Indonesian regulatory body SKK Migas, on 5 May 2015, 4 wells in the POFD program were drilled prior to the official approval under a negotiated arrangement with the regulatory body.

Seram (Non Bula) Block PSC/East Seram PSC - location map



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



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Production

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 170,659 bbl (Lion's share 4,026 bbls). Daily production averaged 1,855 bopd (Lion's working interest being 44 bopd). The minimal decline from the previous quarter, which averaged 1,868 bopd, was the result of operations focus on fine tuning well performance. Four workovers were carried out in the quarter to replace downhole electric submersible pumps.

Crude oil available for lifting at 31 December 2018 was only 1369 bbls as a crude oil lifting of 368,857 bbls was completed on 24 December 2018. A further 11,706 is available in process for storage.

The crude oil price for the December lifting was \$47.21. Lion's share of the lifting proceeds is approx. \$410,875 net, after GOI entitlement.

Planned increase in working interest

Lion announced to the market on 12 December 2018, its intention to acquire GPI's 16.5% stake in SNB, increasing Lion's stake to 19%. Through the proposed transaction, which is subject to shareholder approval, Lion will capture, on a net basis, additional 2C contingent resources of 333BCF gas and 3.02 mmmboe's condensate, and 0.7mmbbls of 2P oil reserves (see footnote 1 on page 1 of this report for more details).

The purchase price is US\$32m payable upon completion. In addition, Lion has an obligation to pay contingent consideration against milestones: US\$7.2m upon full field plan of development (POD) approval and another US\$4.8m upon first gas production from the approval full field POD. Key terms of the SPA are set out in the relevant announcement made by the company referred to above. As of the date of this report, the funding required to complete the transaction has not been secured. Lion is in discussions with various parties and is considering various funding options. The total purchase price of US\$44m represents a 58% discount to the preferred intrinsic value of SNB according to the independent valuation report dated 4 August 2018 prepared by ResourceInvest in connection with Lion's AGM held on November 7, 2018.

Reserves

During the quarter, Lion factored into its reserves the contract renewal (announced on June 1, 2018) and the receipt of the DeGoyler and McNaughton ("D&M") Reserve Certification Report prepared for CITIC Seram Energy Ltd (effective 31 December 2017). The updated reserves and resources in a release dated September 7, 2018 is available on the Lion website.

The key highlights are;

1. An 80% increase in the 2P developed oil reserves (1.398 to 2.509mmbbls) on a 100% basis, or from 0.035 to 0.63mmbbls net to Lion.
2. A 12% increase in 2P reserves from 3.671m to 4.107m on a 100% basis, or from 0.092 to 0.103mmbbls.
3. A reduction in the 3C contingent oil resources from 17.6 to 10.1 mmbbls/ 0.44 to 0.26 to Lion due to a reduction in the assumed recovery factor from 7% to 3.5% in the East Neif field by D&M and the movement of contingent resources to reserves due to the contract extension.

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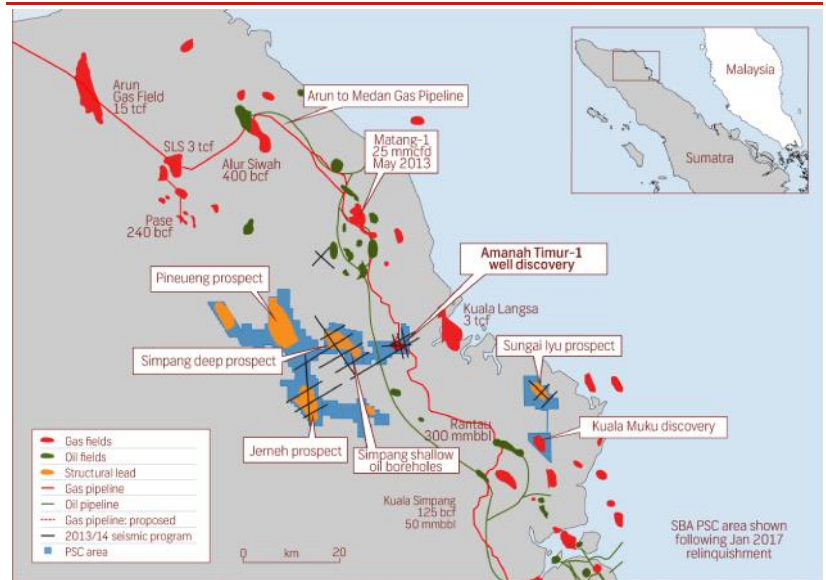
South Block A PSC

Lion reported in the Company's Q2 2018 report that it signed a sale and purchase agreement for the sale of its 40.7% interest in the South Block A PSC (SBA). The other participant in SBA is Renco Elang Energy Pte Ltd (59.3% interest and Operator).

Lion executed an agreement on July 24, 2018 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 transaction, Lion has no more financial obligations to the SBA JV. Lion Energy still awaits final GOI/Government of Aceh approval to complete the sale.

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Corporate

Whilst the Company continues to maintain a focus on costs, we continue to pursue an active new business program in Indonesia, initially focussed on Seram Island. We expect G&A costs to track steady year on year around US\$1m.

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 (7/9/2018 and 10/9/2018). 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