

ASX/Media Release

For Immediate Release – 5 January 2017



Exciting Amanah Timur-1 well spuds

Highlights

- Amanah Timur-1 well spudded on the evening of 3 January 2017, preparing to set 9 5/8" casing at 78.5m KB
- Low-risk well with Prospective Resources of up to 9 mmbbl oil (gross recoverable)
- Shallow sandstone objective oil productive in pre-1930 wells
- Close to oil and gas infrastructure with potential to deliver near-term cash flow

Lion Energy Limited ("Lion" or "Company"; ASX: LIO) is pleased to announce the spud of the exciting Amanah Timur-1 (AMT-1) exploration well in the prolific North Sumatra Basin. The well is currently preparing to set 9 5/8" casing at approximately 78m prior to drilling ahead in 8 1/2" hole. AMT-1 is expected to take no more 10 days to drill to total depth of approximately 570m KB and evaluate the section. A further 10 days is estimated for the likely test program. Lion has a 40.7% interest in the well and will keep the market informed on material events through the drilling and testing program.

The well-defined Amanah Timur prospect being tested by the well is situated within a highly-productive hydrocarbon trend and is covered by recently acquired seismic data. The well targets Keutapang sandstone reservoirs which have delivered over 600mmbbl oil, 2.2tcf gas and 50mmbbl condensate in near proximity. Gross recoverable Prospective Resources¹ are estimated to be 2.0-4.8-10.7mmboe (P90-P50-P10).

The well has an estimated cost of US\$1.3mil (US\$0.53mil net to Lion). This well cost includes provision for up to three production tests. Multiple sandstone reservoirs are being targeted including a shallow objective which had oil production in pre 1930 wells that are in close proximity.

Lion's CEO, Kim Morrison, noted "The drilling of Amanah Timur represents a key milestone for Lion. We have led the technical effort on this prospect which represents a highly attractive opportunity with near term cash flow potential."

¹**Prospective Resources:** the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia; two conventional PSC's.
- Net production of around 90bopd from the Seram PSC which also contains the Lofin gas/condensate field.
- 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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South Block A PSC

Lion has a 40.7% interest in the South Block A PSC with the other participant being Renco Elang Energy Pte Ltd (59.3% interest and Operator).

The South Block A PSC is centrally located in the North Sumatra Basin (Figure 1) and it is divided into two separate blocks; the western block is known as Area 1 and covers an area of 1,165km² while the smaller Area 2 block to the east, extends over the coastal boundary with an offshore portion and covers an area of 414km². The North Sumatra Basin is one of the most prolific hydrocarbon provinces in Western Indonesia with over 80 known oil and gas fields. The United States Geological Survey World Petroleum Report (2000) indicates that reserves of approximately 25.6tcf of gas, 900mmbbl of natural gas liquids and 700mmbbl of oil have been found in the North Sumatra Basin.

South Block A PSC is an underexplored block with a suite of attractive prospects emerging from the 2014 seismic survey shot by the joint venture. The Amanah Timur prospect was chosen to be tested as our first well due to its well-defined structure and high probability of success. Good follow up potential exists in the block.

The region has an attractive gas market with solid demand, consequent high prices and a new open access pipeline to Medan extends through the PSC acreage.

Exploration Drilling

AMT-1, with a planned total depth of approximately 570m KB, is testing 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 will test this oil productive sequence as well as deeper reservoir within the objective late Miocene Keutapang section (Figure 2). Importantly, it has near-term commercialisation potential with good infrastructure in close proximity.

Gross anticipated well cost for the approximately 570m total depth well is projected to be US\$1.3mil (Lion share ~US\$0.53mil). This cost includes site preparation and running of up to three production tests.

Figure 1: South Block A PSC – location map

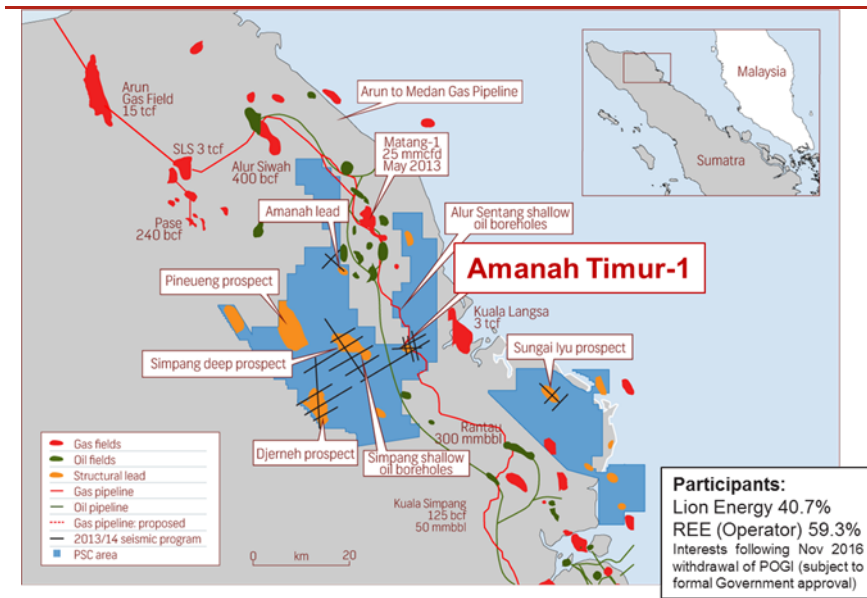
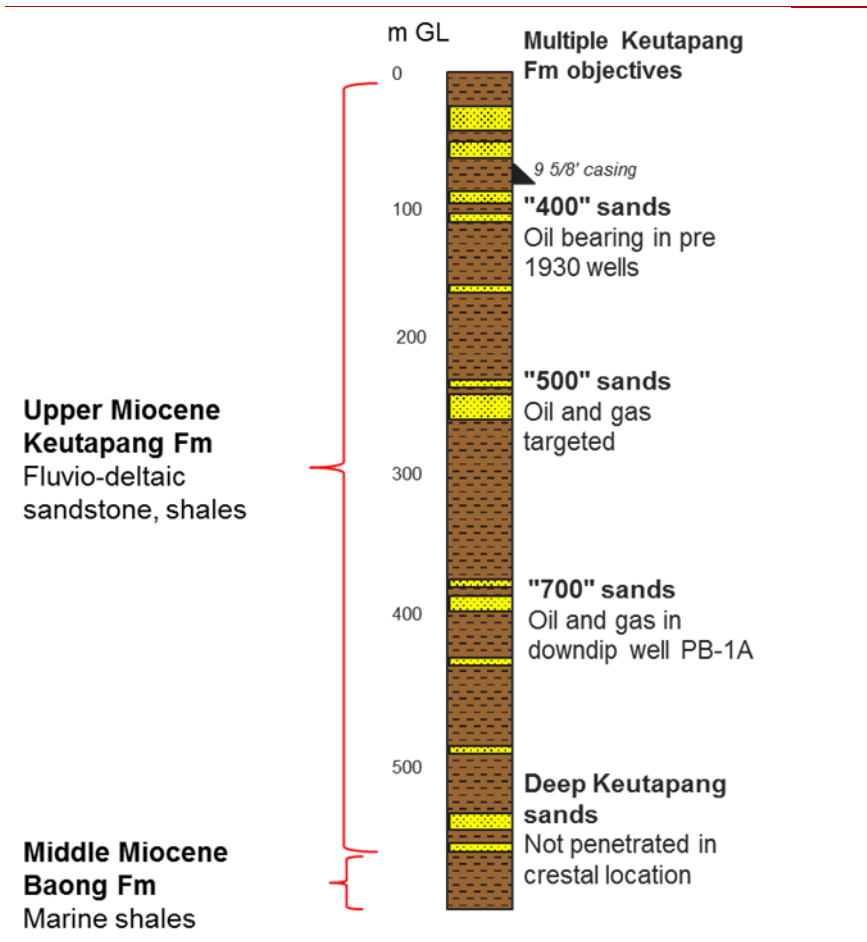


Figure 2; Amanah Timur-1 – predicted section



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The prospect is material for Lion, with estimated Prospective Resources (100%) shown in the table below and the prospect has a high overall probability of success (POS²) of 46%.

Amanah Timur Prospect	Prospective resources ¹		
	P90	P50	P10
Oil (mmbbl)	1.7	3.9	8.8
Gas(bcf)	2.0	4.5	10
Combined (mmboe)	2.0	4.8	10.7
Volumes for stacked late Miocene Keutapang objectives			

¹**Prospective resources:** the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The estimates are made on a probabilistic basis for individual targets which are then summed arithmetically.

²**POS:** Probability of Success, the chance of encountering a flow of hydrocarbons on production testing an exploration well on the prospect.

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

bcf: billion cubic feet gas
JV: joint venture
KB: kelly bushing
km²: square kilometres

mmboe: million barrels oil equivalent
mmbbl: million barrels
PSC: Production Sharing Contract
tcf: trillion cubic feet

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