

Lion awarded two unconventional joint studies over highly prospective Sumatran acreage

Highlights

- Approval granted to conduct an unconventional oil & gas joint study over approx. 4700 km² in the prolific North Sumatra Basin
- Approval obtained for a second unconventional joint study of approx. 2500 km² in the world-class Central Sumatra Basin oil province
- The joint studies are anticipated to take around 6 months and are precursors to the Government offering unconventional PSC's, with Lion and its partners having certain priority rights
- These awards represent a major step forward in Lion's linked conventional/unconventional strategy

Lion Energy is pleased to announce it has received formal approval from the Directorate General of Oil and Gas (MIGAS) of the award of two separate unconventional joint studies over two highly prospective areas in Indonesia's North and Central Sumatra Basins.

In North Sumatra, Lion will lead a joint study covering an area of 4684km² in the southeast of the basin. Under an agreement announced by Lion on 19 November 2014 Lion will operate the study with a 55% interest; and the partners in the conventional Bohorok PSC, which partly overlaps the area of the unconventional Joint Study, jointly have 45% interest.

In Central Sumatra, Lion will conduct a Joint Study over an area of 2478km² covering part of the Bengkalis Graben, a major oil province in the east of the basin. Lion is the operator of the study with 75%, and the conventional rights holder in the partly overlapping area, has a 25% interest.

The studies will be undertaken with assigned universities and will refine Lion's understanding of the key unconventional plays and prospective unconventional resources in the areas. This is anticipated to take approximately 6 months to complete; and on completion the joint study participants will hold certain priority rights, including the right to match the highest bid, for any resultant unconventional production sharing contract (PSC).

Lion's CEO Kim Morrison noted "The award of these two unconventional joint studies is a major milestone for Lion and show we are delivering on our promises. Lion will operate the joint studies with the process providing a clear and cost effective pathway to being awarded unconventional PSC's. The studies are over areas we regard as containing some of the most prospective unconventional plays in Indonesia."

Lion at a glance

- Transforming from a small Indonesian conventional oil and gas player to an Indonesian unconventional oil and gas pioneer.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- New executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute the 2015 business plan.

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North Sumatra Unconventional Joint Study Area

Lion has been awarded an unconventional joint study in North Sumatra covering an area of 4684km² in the southeast of the basin. Under an agreement announced by Lion on 19 November 2014 Lion will operate the study with a 55% interest; and the partners in the conventional Bohorok PSC, which partly overlaps the area of the unconventional Joint Study, jointly have 45% interest.

The North Sumatra Basin is one of the major onshore basins in the SE Asian region with over 25 tcf of gas and over 1.3 billion barrels of oil and condensate discovered. The Lion joint study area is located to the south of South Block A PSC in which Lion holds a 35% interest and is in close proximity to the first unconventional PSC in Indonesia awarded to Pertamina in 2013 (Sumbagut MNK PSC).

Lion's evaluation recognises that key elements are in place essential for prospective unconventional (shale gas/oil and tight gas/oil) acreage:

- **Suitable geology.** The key unconventional targets have properties analogous to successful unconventional plays in North America, including good quality marine oil and gas source rocks;
- **Access to infrastructure and markets.** There is significant gas demand in the area with extensive pipeline infrastructure and Indonesia's third largest city, Medan, in close proximity. Medco, the operator of the Block A PSC to the north of the joint study area, recently announced the signing of a gas sales agreement at a price of US\$9.45/mmbtu which highlights the strength of the region's gas demand.
- **Attractive operational environment.** The area has a long history of oil and gas production and has accessible terrain.

Preliminary evaluations by Lion indicate significant gas and liquids potential in a number of attractive unconventional plays in the joint study area. The joint study is designed to quantify the unconventional prospective resources which have potential to be in the multi-tcf gas, multi-hundred million barrel oil/condensate range.

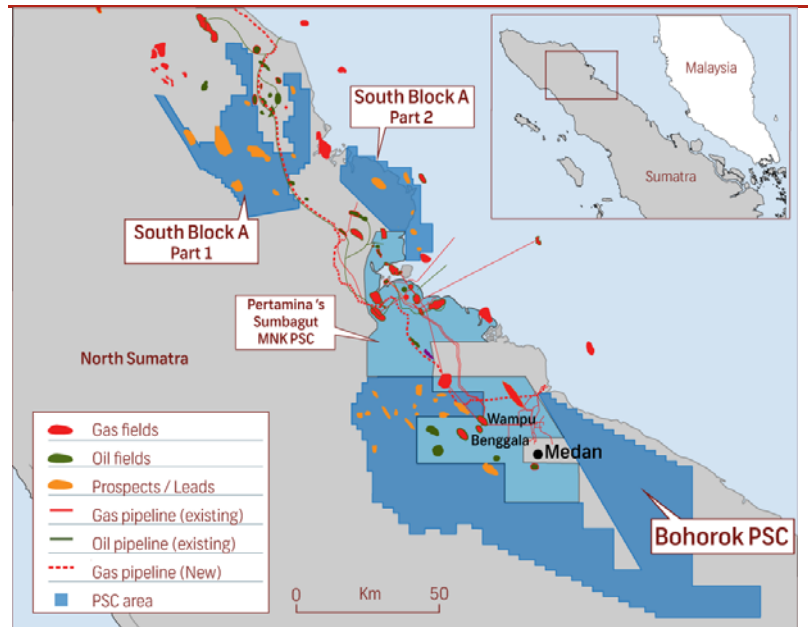
Lion welcomes the participation of Bukit Energy, New Zealand Oil and Gas (ASX: NZO) and SBL in the unconventional rights of the area and the cooperation with conventional holders allows the joint venture to capture significant synergies between conventional and unconventional exploration.

At the completion of the joint study, subject to approval of the regulator, an area of up to 3000km², comprising the most prospective parts of the joint study area, will be selected to form the subsequent PSC area. Each party shall have the option to jointly participate in the direct award bid round for the unconventional PSC that will be offered by the Government of Indonesia.

Lion will operate the joint study phase. Bukit will be the initial operator of the unconventional PSC, if awarded, until the completion of the 3-year firm work commitment, at which time the parties shall meet to review the operatorship. If Lion still holds 51% of the PSC at that time it will have the right to become operator, subject to Government approval.

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

Bohorok PSC and South Block A PSC– Location Map



ASX/Media Release

For Immediate Release 2 March 2015



North Sumatra unconventional joint study interest holders

Unconventional Joint Study	Interest
	%
KRX Energy (wholly owned subsidiary of Lion Energy)	55.00
Bukit Energy	20.25
New Zealand Oil & Gas (ASX:NZO)	20.25
Surya Buana Lestarijaya	4.50

Notes: Companies have rights to participate at the interest level shown
Interest holders refer to the ultimate holding company. The direct interests would be held via special purpose vehicles, as required by the PSC.

Central Sumatra Unconventional Joint Study Area

In Central Sumatra, Lion will conduct a Joint Study over an area of 2478km² covering part of the Bengkalis Graben, a major oil province in the east of the basin. Lion is the operator of the study with 75%, and the conventional rights holder in the partly overlapping area, has a 25% interest.

The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin is one of a number of prolific depocentres within the province. It hosts major discoveries which provides encouragement for the unconventional potential (shale gas/oil & tight gas/oil). Evaluation by Lion indicates the prospective source rocks in the area are at a suitable maturity and depositional setting to be highly attractive unconventional targets.

Preliminary evaluations indicate significant gas and liquids potential in a number of attractive unconventional plays within the joint study area. The joint study program is designed to quantify the unconventional prospective resources in the application area which have the potential to be in the tcf gas, multi-hundred million barrel oil range. Potential in-place unconventional reserves for the Central Sumatra Basin are estimated at 69 billion barrels oil and condensate and 42 tcf of gas (EIA, 2013).

The conventional rights holders in the area of the joint study have an option to maintain a 25% interest in the resultant PSC, if awarded, by paying 25% of the joint study costs at completion of the study. Lion in return will evaluate the conventional potential of the area with the right to propose an interest if technically warranted. This cooperation between conventional and unconventional rights holders is a key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

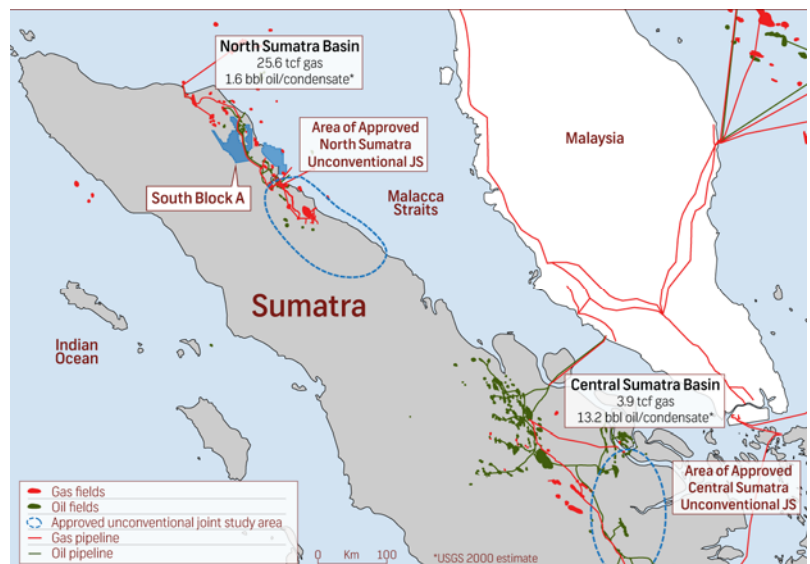
At the completion of the joint study, subject to approval of the regulator, an area of up to 3000km² comprising the most prospective parts of the joint study area will be selected to form the subsequent PSC area. Each party shall have the option to jointly participate in the direct award bid round for the unconventional PSC that will be offered by the Government of Indonesia.

Lion will operate the joint study phase and any subsequent unconventional PSC if awarded.

Central Sumatra unconventional joint study interest holders

Unconventional Joint Study	Interest
	%
Lion Energy	75.00
Conventional PSC rights holder	25.00

North and Central Sumatra – Joint Study Areas Location Map



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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 28 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

bpd: barrels per day

mdbl: thousand barrels

mmbbl: million barrels

mmscf: million standard cubic feet

PSC: Production Sharing Contract

tcf: trillion cubic feet

About Lion

Lion Energy Ltd is an ASX listed oil & gas exploration & production company focused on Indonesia, where it has been operating for some 15 years. It has two existing conventional Production Sharing Contracts (PSC's) – Seram and South Block A - and an early mover position in the fledgling Indonesian unconventional industry via four Joint Study Applications (two of these have now been awarded).

Lion's leadership team has vast experience in the south-east Asian oil and gas industry, particularly Indonesia. In its recent recapitalisation, two Indonesian strategic investors, Risco Energy and Tower Energy, became substantial shareholders of the company.