



Lion Energy

May 15th 2015

Lion Energy continues oil and gas testing of Lofin-2

Lion Energy (ASX:LIO) is continuing testing of its Lofin-2 oil and gas appraisal well in the Seram (Non Bula) production sharing contract, Indonesia.

Operator CITIC Resources Holdings will now test a 437 metre open hole section of the target Manusela limestone from a depth of 4,618 metres.

However, operational difficulties involving a stuck drill pipe may preclude testing of the deeper section.

Testing will confirm fluid content and flow potential of the Manusela down to the base of the tested section.

Pressure testing had indicated that Lofin-2, which was drilled to a total depth of 5,861 metres, had intersected a potential hydrocarbon column of at least 761 metres.

Including the Lofin-1 discovery, the potential hydrocarbon column in the Lofin structure is at least 1,106 metres.

"While it is clearly disappointing to have encountered the operational problems on Lofin-2, the results to date are highly encouraging and we look forward to the testing results," managing director Kim Morrison said.

Lion has a 2.5% interest in the Seram (Non Bula) PSC, which is operated by CITIC (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

Lofin-2

Lofin-2 was spudded on 31st October 2014 to appraise the Lofin-1 discovery made in 2012 that flowed 15.7 million standard cubic feet of gas and 171 barrels per day of oil/condensate.

It seeks to investigate the extent of the hydrocarbon column below the 160m delineated in Lofin-1 which could not be drilled deeper due to engineering issues.

The well encountered the top of the primary objective Manusela Formation limestone at 4,615 metres, about 345 metres deeper than the top Manusela Formation in the Lofin-1 discovery well.

Due to the additional deepening program, the estimated well cost had been revised from approximately US\$33 million to approximately US\$38 million (Lion share US\$0.95 million), inclusive of provision for completion, stimulation and flow testing.

The operational issues of stuck drill string is likely to further impact the well cost. Upon agreement by the JV partners of the forward program, a further revision will be made.

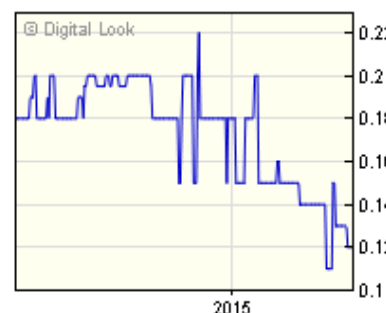
Analysis

While testing is ongoing at the Lofin-2 well, it is encouraging that it has intersected a potential hydrocarbon column of at least 761 metres.

Price: A\$0.12

Market Cap: A\$9.65M

1 Year Share Price Graph



Share Information

Code: LIO

Listing: ASX

Sector: Oil and Gas Exploration and Production

Website: www.lionenergy.com.au

Company Synopsis:

Lion Energy (ASX:LIO) is focused on the emerging unconventional oil & gas market in Indonesia.

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This will confirm fluid content and flow potential of a 437 metre open hole section of the target Manusela limestone down to the base of the tested section.

Lion's conventional oil and gas exploration will help de-risk its unconventional assets.

The company is progressing joint studies over North and Central Sumatra areas as well as the unconventional applications.

Lion is well-funded with \$4.1 million in cash as at 31st March 2015.

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