

# ASX/Media Release

For Immediate Release –19 December 2014



## Lion joins forces with conventional PSC holders to explore highly prospective North Sumatran acreage

### Highlights

- Agreement signed with Bohorok conventional PSC holders to jointly evaluate unconventional acreage in Lion's core Sumatra focus area
- Application for unconventional joint study to proceed incorporating conventional PSC parties
- Lion secures option to acquire a 15% interest in the conventional Bohorok PSC
- Seismic acquisition completed and well planned for 2015

Lion Energy is pleased to announce it will join forces with conventional PSC holders Bukit Energy Ltd and New Zealand Oil & Gas Ltd to jointly explore an area within the prolific North Sumatra Basin. As part of the transaction Lion has an option to acquire a 15% interest in the conventional Bohorok PSC; and the conventional PSC partners have the opportunity to acquire a 45% interest in Lion's unconventional joint study application over a partially overlapping area.

The Bohorok PSC was signed on 20 July 2012 and entitles the partners to explore for and develop conventional oil and gas accumulations. It is surrounded by oil and gas fields and located close to Medan, Indonesia's 3<sup>rd</sup> largest city. The block is operated by Indonesian focused private company Bukit Energy Bohorok Pte. Ltd. with New Zealand Oil & Gas Ltd as co-venturer. The existing PSC holders have recently completed a 206 km 2-D seismic survey over the block and interpretation of the data is ongoing. The current plan is to drill a well-defined gas condensate prospect in 4Q-2015.

The transaction creates alignment between parties in the conventional PSC and unconventional rights which has been encouraged by the Indonesian regulator and will significantly improve efficiency of exploration for both the conventional and unconventional potential of the area.

Kim Morrison Lion's CEO noted "The synergies from the transaction will result in more efficient exploration and is a key to Lion's strategy in building a linked conventional and unconventional position in Sumatra. It expands our acreage footprint in the prolific North Sumatran Basin, with Lion already holding a 35% interest in South Block A to the north of the Bohorok area, and the presence of excellent gas markets and existing infrastructure would allow for near-term commercialisation in the event of exploration success. Importantly, this comes at a time when the new Indonesian administration is taking tangible steps to reinvigorate its oil and gas industry."

### 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 2014 business plan.

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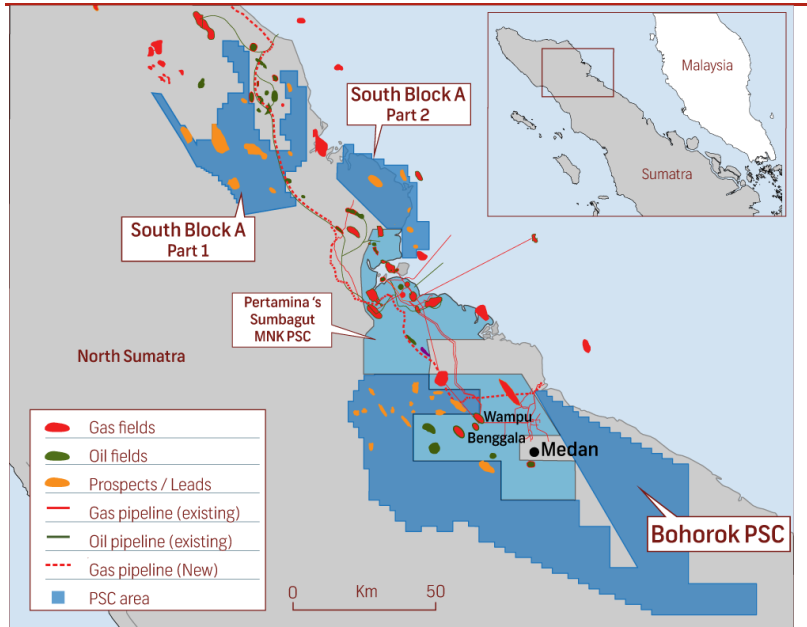


## Bohorok PSC Overview

The conventional Bohorok PSC is in the southern part of the North Sumatra Basin which has discovered reserves of 25 tcf gas and 1.6 billion barrels of oil and condensate (IHSE). The block contains a number of attractive prospects which were evaluated with the 2014 seismic survey. The key targets are analogous to surrounding oil and gas fields and close to existing infrastructure. The PSC is in an attractive operating area and the proximity to Medan, Indonesia's third largest city, provides a ready gas market.

The PSC area encompasses a thick sedimentary section known as the Tamiang Deep and interpreted Oligocene rift basins in the north and northeast. An uplifted section is interpreted to the west of the PSC and a basin flank setting exists to the south and east. Inversion structures related to Late Miocene compression, which uplifted the Barisan Mountain front, are present in the block and provide potential targets.

Bohorok PSC and South Block A PSC– location map



The block contains a variety of proven conventional and prospective unconventional (shale gas/oil and tight gas/oil) plays:

- Late Miocene Keutapang Formation sandstone
- Middle Miocene Middle Baong Formation sandstones
- Lower to Middle Miocene Lower Baong Formation marine shale and carbonates
- Early Miocene Belumai Formation sandstone and carbonates
- Late Oligocene to Early Miocene Peutu Formation carbonates
- Late Oligocene Bampo lacustrine and restricted marine shales

The recent success of Pertamina's 2012 Benggala-1 exploration well, which lies adjacent to the Bohorok PSC, is a significant positive for the block. The well tested a combined rate of 13.2 mmscfd of natural gas and 857.5 bpd of condensate and was brought on stream within one year of the discovery. Analogue anticlinal structures with similar stratigraphy exist within the Bohorok PSC.

The joint venture is planning to select a highly attractive prospect, matured by the recently acquired seismic program, located approximately 10km NE of the Benggala Field, for drilling in 4Q-2015.

## Unconventional Joint Study Application

Lion holds rights to an unconventional joint study application dated 7 May 2012 that covers ~5000 km<sup>2</sup> in the area of the Bohorok PSC. The application followed new regulations covering unconventional hydrocarbons which came into effect in January, 2012. The area is located just to the south of the first unconventional PSC in Indonesia awarded to Pertamina in 2013 (Sumbagut MNK PSC) and contains key elements essential for prospective unconventional (shale gas/oil and tight gas/oil) acreage:

- prospective rocks/geology;
- access to infrastructure and markets; and
- suitable operational environment.

Preliminary evaluations by Lion indicate highly prospective gas and liquids potential in a number of unconventional plays. Lion welcomes the participation of Bukit and NZOG in the unconventional rights of the area and the transaction will allow the joint venture to capture significant synergies between conventional and unconventional exploration. The transaction paves the way for the Indonesian Government to formally approve the commencement of the unconventional joint study. This is anticipated to

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take approximately 6 months to complete and the joint venture will hold certain priority rights, including the right to match the highest bid, for the resultant unconventional PSC bid process.

## Transaction Summary

Lion, via its wholly owned subsidiary KRX Energy Pte Ltd, has secured an option to acquire a 15% interest in the Bohorok PSC as consideration for granting the PSC partners the option to acquire a 45% interest in Lion's unconventional joint study application ("JSA") over approximately the same area. The key terms of the transaction are as follows:

### Lion farm-in to conventional PSC

- Lion via a wholly owned nominee may acquire a 15% interest in the Bohorok PSC on a pro-rata basis from the existing owners (the "Bohorok Parties")
- A remaining condition to the grant of the farm-in option is the formal award of the JSA within 12 months
- Lion has been granted access to the recently acquired seismic program acquired over key prospects in the Bohorok PSC, in order to evaluate the block's potential before exercising its option.
- Upon exercise of the option Lion must pay a deposit of US\$500,000. Once government approval of the assignment has been granted, Lion must pay its 15% working interest share of certain back costs, plus a 15% "promote" on seismic costs, capped at US\$740,000 net to Lion. Government approval is subject to a long-stop date of 6 months, which may be extended by another 6 months by Lion paying an additional deposit.

### Bohorok PSC Interest holders if Lion exercises its option

Bohorok PSC	Current	Post farmin
	%	%
Bukit Energy (Operator)	45.0	38.25
New Zealand Oil & Gas	45.0	38.25
Surya Buana Lestarijaya	10.0	8.50*
Lion Energy	-	15.00

Notes: Interest holders refer to the ultimate holding company. The direct interests are held via special purpose vehicles, as required by the PSC.  
\*SBL interest subject to separate transaction involving Bukit and NZOG

### Lion farm-out of unconventional rights

- The Bohorok Parties are granted a 45% interest in Lion's existing unconventional JSA, which overlaps the Bohorok PSC, in return for the Bohorok Parties granting Lion the option described above.
- Should the Joint Study be awarded, the Bohorok Parties must reimburse Lion 45% of specified back costs and contribute 45% of the third party costs of conducting the Joint Study.
- At the completion of the Joint Study, 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. Bukit shall 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 ability to become operator subject to Government approval.

### Unconventional joint study application interest holders

Unconventional JSA	Current	Post farmin
	%	%
Lion Energy	100.0	55.00
Bukit Energy	-	20.25
New Zealand Oil & Gas	-	20.25
Surya Buana Lestarijaya	-	4.50*

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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

bbbl: barrels  
bcf: billion cubic feet  
bpd: barrels per day

mdbl: thousand barrels  
mdbl: million barrels  
mmscf: million standard cubic feet

PSC: Production Sharing Contract  
tcf: trillion cubic

## 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.

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.