



Oseil proven oil reserves upgraded

Highlights

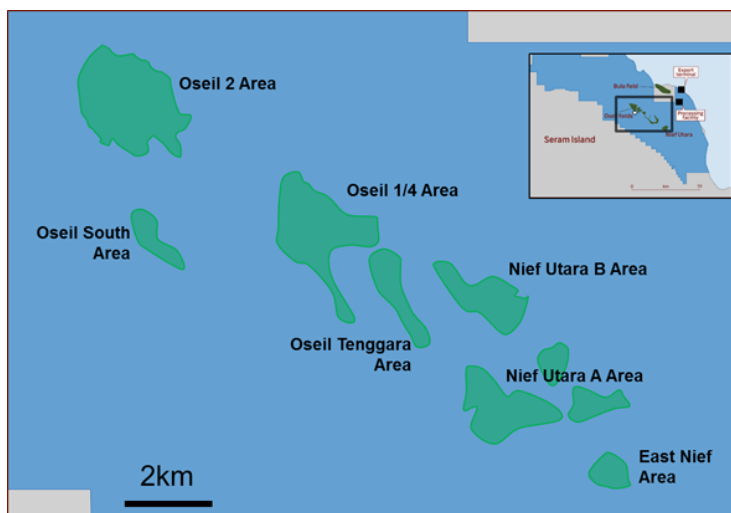
- Proven oil reserves in Seram (Non-Bula) PSC increased by 28% (after taking into account 2015 production), due to success of 2014/2015 development drilling program
- Current production of ~4200 bopd (105 bopd net to Lion)
- JV implementing cost saving measures including suspending further development drilling to maximise cash flow

Lion Energy Ltd (ASX Code: LIO) advises that the 31 Dec 2015 reserves report by US based engineering firm DeGolyer & MacNaughton estimates Proven (1P) oil reserves at 4.88 mmbbl (compared to 4.75 mmbbl at end 2014). After taking into account 2015 production of 1.22 mmbbl, the Proven reserves estimate for the Oseil fields have effectively increased by 1.36 mmbbl (or 28%). Lion has a 2.5% interest in the Seram (Non-Bula) PSC ("Seram PSC").

Production from the Seram PSC remains strong at approximately 4200 bopd (105bopd net to Lion) and the joint venture is implementing aggressive cost saving measures, including suspending future development drilling (including the planned Oseil-23). This is anticipated to allow increased free cash flow from the Seram PSC.

Commenting on the reserve report and Seram PSC activities, Lion CEO Kim Morrison said: "The increase in Oseil area reserves by well-respected firm DeGolyer & MacNaughton is a pleasing outcome and reflects the positive development drilling outcomes on the Oseil field in recent times. At the same time the operator is responding to the current oil price environment and prudently reducing costs while continuing to work on development options for the exciting Lofin gas discovery including ongoing engagement with relevant authorities on extension of the PSC beyond 2019."

Oseil Oil Fields



Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC's.
- Net production of around 100 bopd 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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Reserve & Resource report (31 December 2015)

An updated reserves report for the Seram PSC, commissioned by the operator of the project, by US experts, DeGoyler & McNaughton (D&M), was received on 22 February 2016. The report is effective 31 December 2015 and is based on 2015 gross production of 1221mmbbl (3345 bopd). The Proven (1P) reserve estimate at end 2015 is 4881mmbbl compared to 4746mmbbl at end 2014. When the 2015 production is taken into account the report shows an increase in Proven reserves from the Dec 2014 figure of 1356 mmbbl.

The 31 December 2015 Proven reserves are classified into Proven-Developed reserves of 3833mmbbl and Proven-Undeveloped reserves of 1048mmbbl. This compares with 31 December 2014 estimates of 2409mmbbl and 2337mmbbl, respectively. The increase of in the overall Proven and more particularly the Proven (Developed) numbers reflects the successful development drilling in the Oseil 2 area of the Oseil field during 2015. The Proven-Developed number in the D&M report does not assume any further development wells being drilled.

Reserves	D&M Reserves (mmbbl, Gross)			D&M Reserves (mmbbl, net to Lion)		
	Proven (1P)	Proven & Probable (2P) ²	Proven, Prob & Poss. (3P) ²	Proven (1P)	Proven & Probable (2P) ²	Proven, Prob & Poss. (3P) ²
EOY 2014	4,746	6,907	9,641	118.65	172.68	241.03
Production	-1,221	-1,221	-1,221	-30.53	-30.53	-30.53
Revision	1,356	420	242	33.90	10.50	6.05
EOY 2015	4,881	6,106	8,662	122.02	152.65	216.55
Contingent Resources	D&M Contingent Oil Resources ^{4,5} (Gross)			D&M Contingent Oil Resources ^{4,5} (Net to Lion)		
	1C (mmbbl)	2C (mmbbl)	3C (mmbbl)	1C (mmbbl)	2C (mmbbl)	3C (mmbbl)
EOY 2014	1,442	3,106	39,146	36.05	77.65	978.65
Revision	143	-426	-21,583	3.58	-10.65	-539.58
EOY 2015	1,585	2,680	17,563	39.63	67.00	439.08

1. Hydrocarbon reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the company's operations.
2. Incremental probable (2P) and possible (3P) reserves assume further development drilling is undertaken, and hence may not be produced before the expiry of the PSC in 2019 if this program is not successfully executed.
3. Reserves have been estimated using the deterministic method.
4. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). These estimates have not been risked for the chance of development. There is no certainty that any portion of the contingent resources will be developed and, if developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.
5. Contingent Resources comprise oil potential from existing fields post-PSC Expiry and other undeveloped oil fields. No estimate has been presented for the Dawang gas field or the Lofin gas/condensate field. For estimates relating to Lofin, please refer to Lion's announcement dated 8 October 2015.

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The D&M report also shows a positive revision to 2P and 3P estimates (after accounting for production) over 31 December 2014 estimates as shown in the table below. In terms of contingent resources estimation, there was a slight increase in 1C estimate although decrease in 2C and 3C due to downward revision of estimate for the Neif Utara and East Neif satellite accumulations.

Note that the D&M report did not address the Lofin gas/condensate field, which was the subject of a separate announcement by Lion dated 8 October 2015. The resource estimate as detailed in that announcement remains unchanged.

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 reviewed and verified 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

bopd: barrels oil per day
MD: measured depth
mbbl: thousand barrels
mmbbl: million barrels

PSC: Production Sharing Contract
TD: total depth
TVDKB: total vertical depth referenced to the drill floor
ssTVD: total vertical depth referenced to sea level

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