

Quarterly Report

1 April to 30 June 2014



LION
energy

Solid Seram production, progressing unconventional applications

Highlights

- Seram production continues to out-perform expectations averaging 2818 bopd for the quarter following successful completion of the Oseil-21 well.
- Drilling rig mobilization to Lofin-2 wellsite underway with spud scheduled for September.
- Interpretation on South Block A seismic proceeding; Paya Bili shallow oil and gas prospect emerging as prime drilling candidate.
- Unconventional applications progressing in conjunction with advanced negotiations on linked conventional opportunities.

During the quarter, gross crude oil production from the Seram (Non-Bula) PSC (Seram Project) was 256,447 barrels at 2818 bopd (70 bopd net to Lion), up from an average of 2577 bopd in the previous quarter. (Production increased consistently over the quarter and averaged nearly 3000 bopd in June). Lion's net share of oil sales revenues of US\$841,613 was received in late June from an oil lifting of 357,786 bbl on 26 May 2014.

The current development drilling program on the Oseil field was completed with the Oseil-21 well which came on stream on 6 May 2014. At end of the quarter the well was producing at approximately 500 bopd, in line with pre-drill expectations. Attention is now focused on the appraisal of the exciting 2012 Lofin discovery. Detailed review was undertaken of the Lofin-1 discovery well and the drilling rig has undergone a period of refurbishment and upgrading, with the scheduled spud of Lofin-2 in late-September 2014.

In the company's other core asset, the South Block A PSC, the seismic program was completed early in the quarter and interpretation is ongoing. The interpretation appears to be confirming an attractive, shallow, low-risk target for drilling in late-2014, subject to logistics being able to accommodate that timing.

In corporate matters: Lion welcomed Mr Stuart Smith as an Executive Director of the company; and post-quarter end, instituted an unmarketable parcel buy-back facility.

Lion's CEO, Mr Kim Morrison, said: "We continue to be encouraged by production from Seram outperforming our budget forecast by over 300 bopd, whilst looking forward to drilling the exciting Lofin-2 appraisal well. The South Block A seismic was completed safely, on budget and interpretation of the processed data is looking positive. On the new business side, we are currently concentrating efforts in developing linked conventional opportunities within the unconventional portfolio. With the Indonesian presidential election now completed, our focus is also on accelerating our unconventional applications through the remainder of 2014."

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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Kim Morrison	Chief Executive Officer
Stuart B Smith	Executive Director
Tom Soulsby	Non-Executive Director
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Operations update (4Q-FY14)

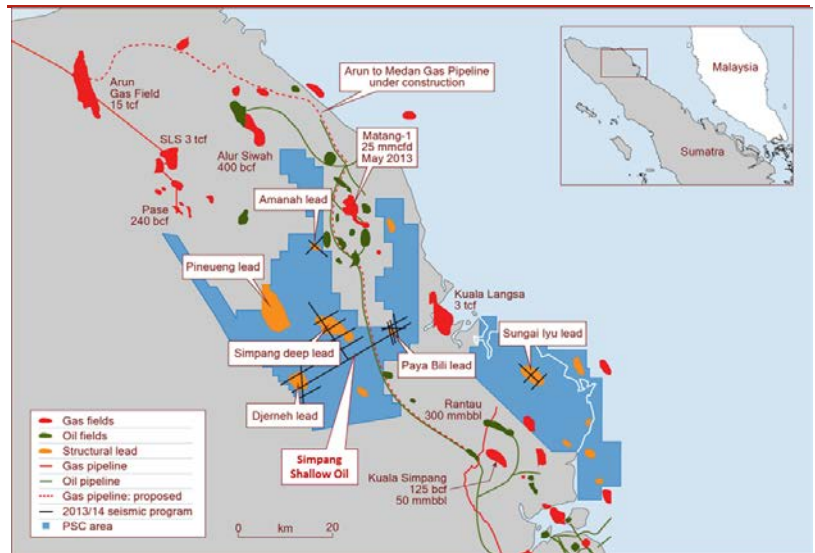
South Block A PSC

Lion has a 35% interest in the SBA PSC with other participants being PSC operator, RENCO Elang Energy Pte Ltd (51% interest), a company majority controlled by Peak Oil and Gas Ltd (PKO), and PT Prosys Oil & Gas International (14% interest).

The underexplored block is centrally located in the prolific North Sumatra Basin and contains large structures with attractive gas and oil plays. The acquisition of a 183km 2D seismic survey was completed on 2 April 2014, This targeted the Simpang, Djerneh, Amanah, Sungai Iyu and the Paya Bili leads. These leads have a combined P50 prospective resource¹ of 429 bcf gas and 47 mmbbl oil and condensate; Lion's equity share is 150 bcf and 16.4 mmbbl.

An attractive, shallow (less than 1000m total depth), oil prospect with near-term commercialisation potential is anticipated to be targeted in the planned late-2014 drilling program. A deeper gas/condensate target will be selected for a planned 2015 drilling campaign.

South Block A PSC – location map



Seismic

Processing of the seismic data is being undertaken by Mega Energy Processindo and data quality is good. A close to final version of the seismic data was received post quarter-end and interpretation is well underway with the high graded Paya Bili Prospect being prioritised.

Exploration Drilling

Well planning activities commenced during the quarter including preliminary well design, identification of suitable rigs for the planned late-2014 drilling and preparation of tender documents.

Expenditures

South Block A PSC	Exploration	Development	Production	G&A
	US\$'000	US\$'000	US\$'000	US\$'000
Expenditure net to Lion (4Q, FY14) ¹	923	0	0	110

Note 1 – The expenditures herein are SBA PSC results and may differ from Lion's financial reporting due to timing differences

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.

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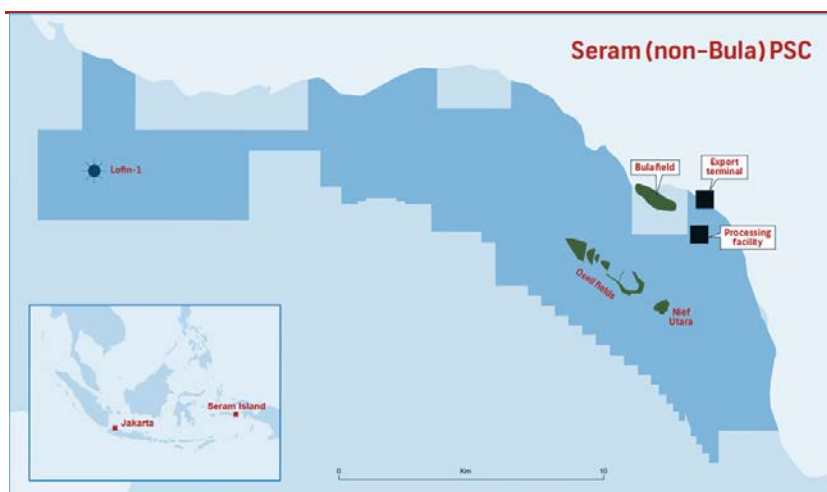
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Seram (Non-Bula) PSC

Lion, via its wholly owned subsidiary, Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block Renewal Production Sharing Contract, located onshore at Seram Island in eastern Indonesia. The major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners are KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures that have produced cumulative crude oil production of 12,544,802 barrels since the initial field start-up in January 2003 through to 30 June 2014.

Seram (Non-Bula) PSC – Location Map



Production and revenue

During the quarter the daily production rate from the Oseil and surrounding oilfields averaged 2818 bopd (Lion's net interest is 70 bopd), ahead of budget forecast of 2500 bopd for the calendar year. Production of crude oil for the fiscal year to date is presented in the table below.

The company received sales proceeds of US\$841,613 from the total lifting of 357,786 bbl (8945 bbl net to Lion). The selling price was US\$94.09/bbl. The inventory of crude oil available for lifting at 30 June 2014 was 106,790 bbl. The next crude oil lifting of approximately 350,000bbl is expected late September 2014, with receipt of funds net to Lion approximately 35 days thereafter.

Seram (Non Bula) Block PSC Production				
Month	Gross (100%)		Net to Lion (2.5%)	
	(bbl)	(bopd)	(bbl)	(bopd)
July 2013	77,192	2490	1930	62
August 2013	75,671	2441	1892	61
September 2013	77,040	2568	1926	64
October 2013	78,213	2523	1955	63
November 2013	73,860	2462	1847	62
December 2013	74,586	2406	1865	60
January 2014	73,830	2382	1846	60
February 2014	76,412	2729	1910	68
March 2014	81,716	2636	2043	66
April 2014	77,645	2588	1941	65
May 2014	89,314	2881	2233	72
June 2014	89,488	2983	2237	75

Expenditures

Seram (Non Bula) PSC	Exploration	Development	Production
	US\$'000	US\$'000	US\$'000
Expenditure net to Lion (4Q-FY14) ¹	18	178	198

Note 1 – The expenditures herein are Seram PSC results and may differ from Lion's financial reporting due to timing differences

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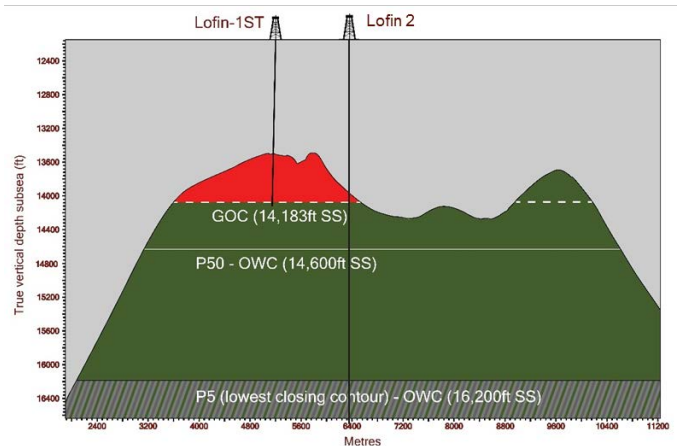
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Lofin appraisal well

An exploration well, Lofin-1, was spudded within the Seram (Non-Bula) PSC on 17 January 2012 to test the hydrocarbon potential of the Manusela Formation. In May 2012, the well was side-tracked at 3419.6m MD (11,219 feet) and drilled to a total depth of 4427m MD (14,525feet) and was interpreted still to be in hydrocarbons, representing a current minimum interpreted gross hydrocarbon column of 160m.

- The well flowed gas and oil/condensate (after acidising) at a rate of 15.7 mmscfd and 171 bopd of 36.1 API oil/condensate, with a flowing wellhead pressure of 4750 psi on 24/64 inch choke.
- Downhole shut-in pressure data acquired during testing operations indicated potential for a significant hydrocarbon column below the total depth of the Lofin well.

The Seram JV partners have committed to drill an appraisal well to test the potentially significant Lofin-1 discovery. The well will be drilled to a planned total depth (TD) of 5425m TVD (17,800 feet) with the primary objective Manusela Formation projected at 4509m TVD (14,795 feet).



The projected TD of 5425m TVD (17,800 feet) will make Lofin-2 one of the deepest well penetrations undertaken in Indonesia and the joint venture has worked hard to ensure the best of engineering standards and practices will be utilised. During the quarter a specialist US company was engaged to review relevant data and produced a comprehensive report with recommendations on all facets of the Lofin-2 well, including data acquisition, geological and geophysical analysis, the drilling program, the completion and well-test program and risk analysis and contingency plans.

As at June 30, the Lofin-2 well site preparation was over 95% complete and the access road was 100% complete. The mobilization of the drilling rig, contractor equipment and consumables is in progress. Post quarter-end, the operator informed the joint venture that there has been a delay with the importation of the wellhead BOP for this project, and the well is now forecast to spud in late-September 2014. While disappointing, this delay is expected to have little impact on the cost of the well. The well is projected to take 134 days to drill to planned total depth prior to testing and completion.

Development drilling

During the quarter one development well, Oseil-21, was completed and the operator CITIC is currently completing a review of the successful development well program in order to make a recommendation for additional development drilling on the Oseil field.

Oseil-21

Oseil-21 well was a directional infill development well drilled 490m north-west of the successful Oseil-26 directional well in the Oseil-2 producing area. The well was programmed to recover undrained oil reserves in the Manusela fractured carbonate on the western flank of the faulted four-way dip closure of the Oseil-2 up-thrown fault block, with estimated recoverable reserves of 631 mbbl oil.

The well was completed on 5 May 2014 as a producing well from the Manusela fractured carbonate. Following testing of the well, the rig was released on 8 May 2014.

The Oseil-21 well economics were based on an initial production rate of 500 bopd. As at quarter-end the well was producing at around 500 bopd, on forecast. While the well performance will need to be monitored closely for indications of either gas or water breakthrough, the well production performance to date is encouraging. The Oseil-21 development well was spudded on 24 February 2014 and reached a total depth on 2 May 2014. The well was drilled within schedule and on budget.

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The results of the well are summarised below:

Total depth (TD): 2375m / 7793ft MD (1948m / 6391ft TVD)

Top Manusela: 1952m / 6403ft MD (-1511m / -4957ft ssTVD), 113ft high to prognosis.

Seven inch casing was set at 2191m / 7190ft MD and 6-1/8 inch open hole was drilled to a total depth of 2375m / 7793ft MD (1948m / 6391ft TVD).

Test results: The well was initially opened up to production on 6 May 2014 and by May 11 was producing at over 500 bopd. As at 30 June 2014, production from Oseil 21 was as shown below.

Status:	Oil rate:	502 bopd
(30 June 2014)	Water cut:	1.9%
	Choke size:	23/64 inch
	Cumulative production:	28,841 bbl of crude oil

Unconventional Joint Study Applications

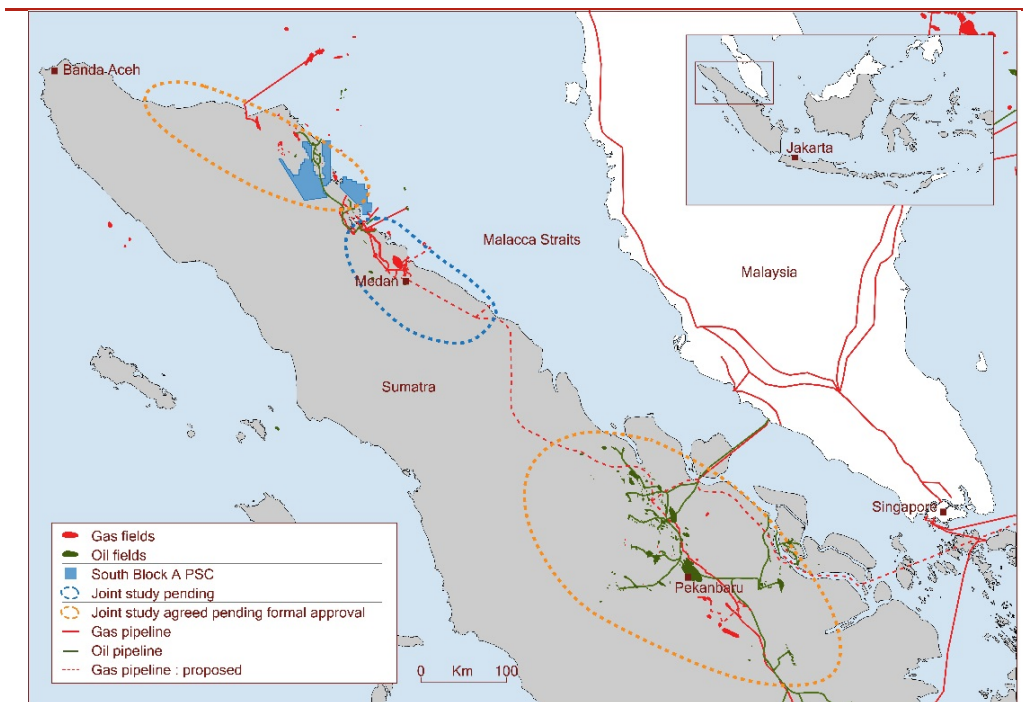
Lion has submitted Joint Study Applications for potential oil and gas unconventional areas in onshore Indonesia covering a total area of about 17,334km². Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of the applications.

Steady progress was made during the quarter with ongoing engagement with the Indonesian regulators and other operators in the area. Lion remains confident that that 3 joint studies will be awarded prior to end 2014.

Additional details on each of Lion's unconventional projects can be found on the company's website

(www.lionenergy.com.au) and in the prospectus lodged with the ASX on 6 November 2013.

Map of area of Unconventional Applications



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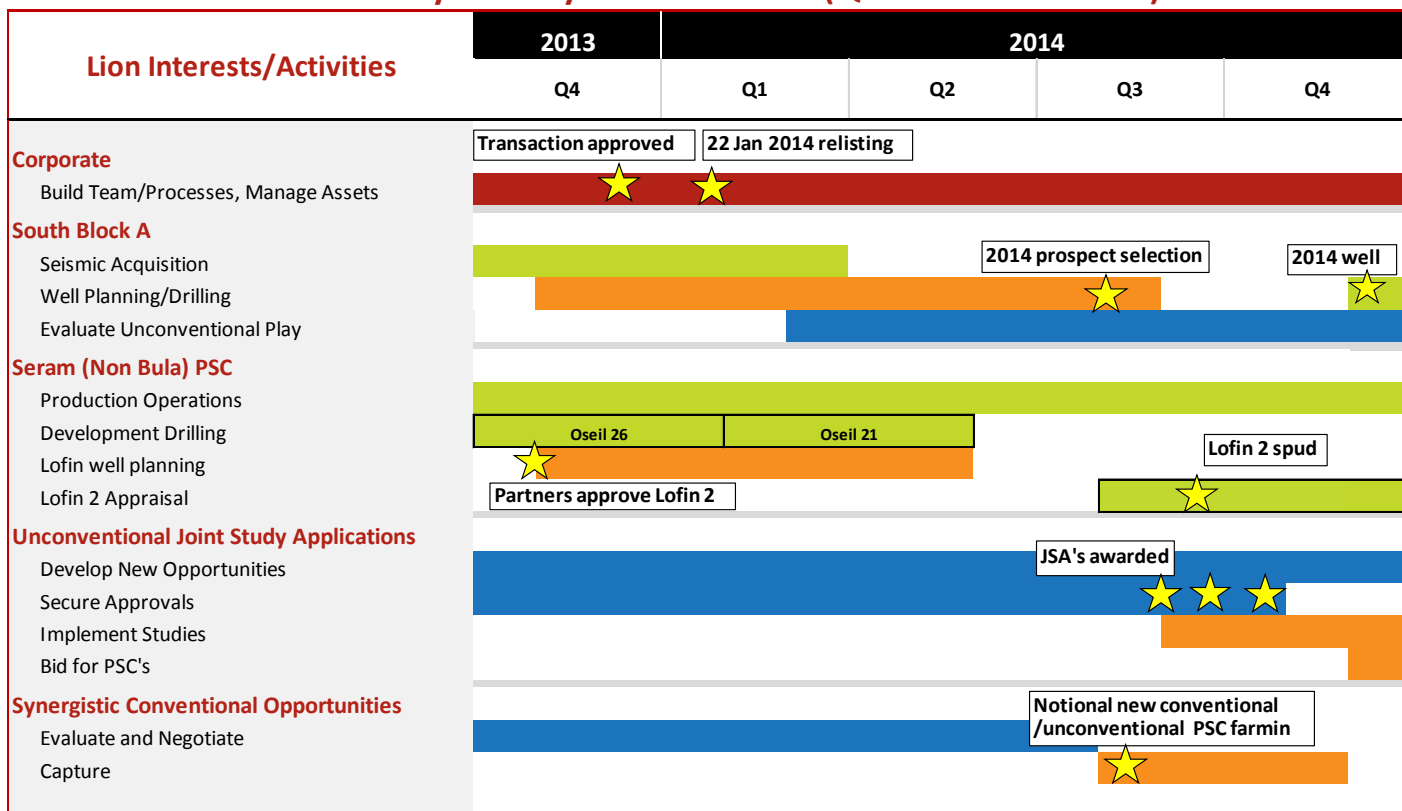
List of tenements

Tenement or licence area	Lion's beneficial interest	Change during the quarter	Comments
Indonesia			
Seram (Non-Bula) Production Sharing Contract	2.5%	No change	Interest held through Lion wholly owned subsidiary Lion International Investment Ltd.
South Block A Production Sharing Contract	35.0%	No change	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX).

Activity schedule

Lion has a fully funded, active 2014 exploration schedule as depicted in the following chart:

Lion Activity and Key Event Timeline (Q4 2013 to end 2014)



Legend

Code	Activity type
Red	Lion Corporate
Orange	Held Assets General Exploration
Green	Held Asset Field Activities (Drilling/Seismic)
Blue	Lion New Business Activities



Forecast Key Event /News flow

(Note: There is no guarantee that activities shown will occur. In addition, the timing of anticipated activities is indicative only. They are dependant on factors such as Government of Indonesia and Joint Venture approval, rig availability and unforeseen delays)

As of July 25 2014

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Corporate update 4Q-FY14

Appointment of Executive Director

During the quarter Mr Stuart Smith was appointed as an Executive Director of the company, based in Singapore, with chief responsibility for all finance aspects of the group. Mr Smith has over 20 years experience in the energy industry and was nominated to the Lion Board by Risco Energy Investments Pte Ltd pursuant to its rights under the Risco Placement Agreement dated 20 September 2013. The appointment as a Director is effective 10 June 2014.

The Board of Lion now comprises:

Russell Brimage	Executive Chairman
Kim Morrison	Chief Executive Officer
Stuart Smith	Executive Director
Tom Soulsby	Non-Executive Director
Chris Newton	Non-Executive Director

Supporting the board is a high calibre team of industry and country specialist advisors, namely: Dr Roger Whyte; Dr Harold Williams; Dr Andrew Cullen; and Mr Sammy Hamzah.

Unmarketable parcel buy-back facility

After quarter end, the company announced that it has instituted a facility for the sale of unmarketable parcels of the Company's ordinary shares. The ASX Listing Rules define an unmarketable parcel as those with a market value of less than \$500. The Company is offering this sale to assist minority shareholders of unmarketable parcels to sell shares without having to use a broker or pay brokerage. The Company will pay for all the costs of the sale for shareholders who use this facility, excluding tax consequences from the sale which remains the shareholder's responsibility.

The Company values all of its shareholders, however, it incurs significant administrative costs maintaining such a large number of unmarketable parcels. By facilitating this sale, the Company expects to reduce the administrative costs associated with maintaining a large number of very small holdings.

If minority shareholders wish to sell shares through this facility, they do not need to take any action. If minority shareholders do not wish to sell shares through this facility, they must complete and return the Notice of Retention Form to the Company's share registry, Computershare Investor Services Pty Limited, by 7pm (AEST) on 4 September 2014 (Retention Date). Upon the sale of the unmarketable parcel shares by the appointed broker, proceeds shall be forwarded to eligible shareholders as soon as practicable.

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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

bopd: barrels oil per day

BOP: blow out preventer

mmscfgd: million standard cubic feet of gas per day

mdbl: thousand barrels

mdbl: million barrels

MD: measured depth

PSC: Production Sharing Contract

psi: pounds per square inch feet

tcf: trillion cubic

ss TVD: sub-sea true vertical depth

TD: total depth

About Lion

Lion Energy Ltd is an ASX listed oil and gas exploration and production company focused on Indonesia, where it has been operating for some 15 years. It has two existing conventional Production Sharing Contracts (PSCs) – 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 extensive 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 in the company.