

# ASX/Media Release

For Immediate Release – 15 May 2015



## Announcement on South Block A PSC

### Extension to PSC Exploration Period, South Block A, North Sumatra, Indonesia

Lion Energy Limited (ASX: LIO) – “Lion” advises that Peak Oil & Gas Limited (ASX: PKO) has today made an announcement to the ASX in relation to the South Block A PSC in Indonesia.

Lion has a 35% interest in the South Block A PSC through its wholly owned subsidiary KRX Energy (SBA) Pte Ltd. The announcement by Peak is attached hereto.

On behalf of the board of **Lion Energy Limited**

A handwritten signature in blue ink, appearing to read "Zane Lewis", written over a light blue horizontal line.

**Zane Lewis**  
Company Secretary

ENDS.

### 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 two unconventional joint studies and two joint study applications.

Lion's leadership team has vast experience in the south-east Asian oil and gas industry, particularly Indonesia. The company has some significant Indonesian backed investors in Risco Energy and Tower Energy and a highly skilled advisory panel including North American unconventional experts.



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ASX Code: PKO

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### **Extension to PSC Exploration Period South Block A, North Sumatra, Indonesia**

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Peak Oil & Gas Limited (Peak) announces that the Indonesian Ministry of Energy and Mineral Resources has approved a nineteen month extension to the Exploration Period of the South Block A Production Sharing Contract (PSC).

This extension means that the Exploration period will now end on 4 December 2016 and allows the PSC Contractor further time to drill one exploration well in order to fulfil the PSC Firm Commitment.

Earlier this month, Peak shareholders approved a resolution for Peak's interest in the SBA PSC to be sold. The directors are pursuing avenues for the sale of Peak's SBA Interests and aim to close a transaction before the end of the Financial Year.

#### **South Block A PSC – North Sumatra, Indonesia**

Peak's majority controlled company, Renco Elang Energy Pte Ltd (REE), is Operator of the South Block A PSC with a 51% working interest (Peak's 75% shareholding in REE equates to a net economic interest of 38.25%).

#### **SBA Joint Venture Interests**

REE (Operator)*	51%	Peak holds 75% of REE, the Operator and 51% interest holder in SBA (effective net to Peak of 38.25%)
KRX Energy (SBA) Pte Ltd (KRX)	35%	An indirect subsidiary of Lion Energy Ltd
PT Prosys Oil & Gas	14%	

\* REE's shareholding is as follows:

#### **REE Shareholders**

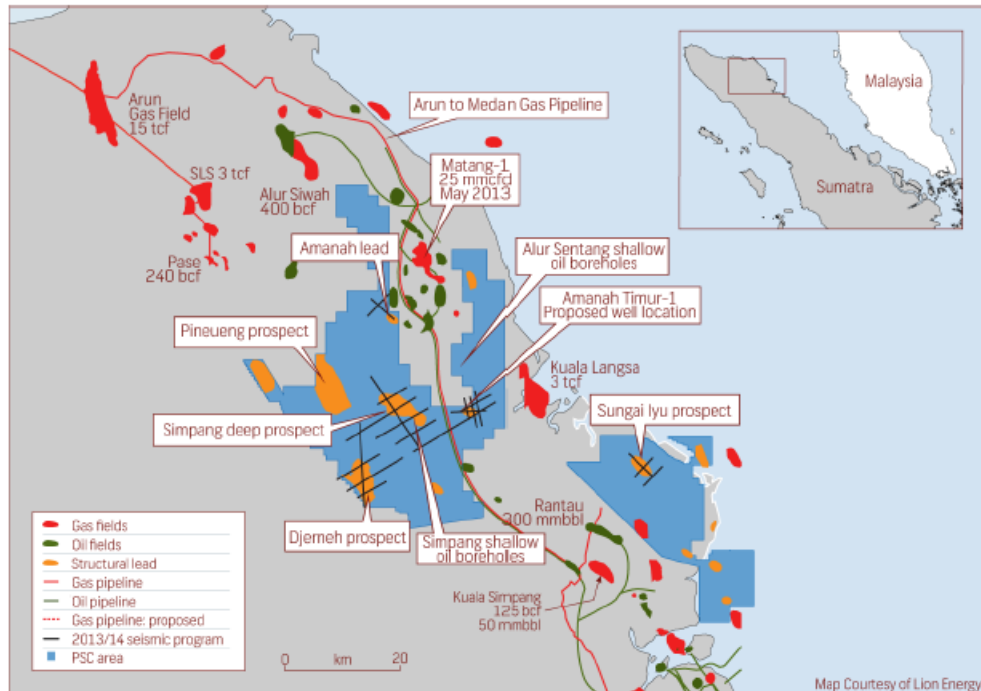
Peak Oil & Gas Limited subsidiaries	75.000%
PT Realto Energi Nusantara Corelasi	18.125%
Elang Energy Inc	6.875%

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**Potential Exploration Well**

Following processing of the 183 km seismic survey, seismic interpretation led to selection of a possible drilling location for a low-risk, shallow well (around 700m total depth) targeting high quality oil on the Paya Bili structure. Small volumes of oil were produced from this structure during the early 1900s. The Paya Bili structure has also been the subject of three deeper wells drilled by Asamera Oil (Indonesia) Ltd in 1976 and 1982. The location of the possible shallow well, to be named Amanah Timur-1, is shown on the enclosed map (Figure 1) and seismic line (Figure 2).

Following receipt of notification of extension to the PSC term, and in consideration of the recent decline in oil price, a prospectivity review will now be undertaken to determine the best prospect for drilling. This prospectivity review will evaluate all field data and consider the Djerneh, Simpang Deep, and Sungai Ily targets, in addition to the Paya Bili prospect (Amanah Timur-1).



**Fig 1: SBA map showing location of proposed Amanah Timur-1 well, key leads and prospects, new seismic, shallow oil samples and new gas pipeline**

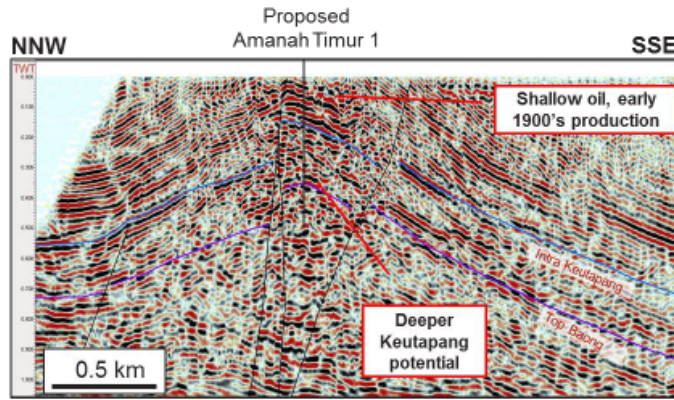


Fig 2: Seismic section showing location of proposed Amanah Timur-1 well and early 1900s shallow oil production

**Located in Prolific Basin**

South Block A PSC is located in the prolific North Sumatra Basin, in proximity to an established pipeline and facilities.

The presence of an active petroleum system in the vicinity of the proposed Amanah Timur-1 well location is validated by both light, 50° API, high quality live oil samples produced from shallow boreholes hand drilled by local residents (Figure 1) and confirmed by the record of historic oil production on the Paya Bili structure.

Drilling by Asamera from the 1970s through to the early 1990s produced indications of oil and gas in many wells in the area.

South Block A has potential for both oil and gas development, with both commodities in strong demand within Sumatra. The joint venture is encouraged by recent reports from Medco, operator of the neighbouring Block A PSC, where a gas sales contract has been signed with a gas price of US\$9.45 MMBTU highlighting the strength of the gas market in the area. A number of attractive gas-condensate prospects continue to be matured through ongoing seismic interpretation activities.

**Gas Pipeline Infrastructure**

A new gas pipeline has been constructed between Lhokseumawe and Medan, the largest city in Sumatra and the fourth largest city in Indonesia, and provides a new incentive for gas exploration in the SBA block as a potential contribution to the increasing energy demand required to underpin the continuation of strong economic growth in the surrounding region.

The pipeline passes through SBA (Figure 1) and is reported to have a capacity of 400 MMSCFD and will transport gas from the Arun gas facilities (including an LNG receival terminal currently being built). Peak understands it will be an open access pipeline with around 200 MMSCFD forecast spare capacity. The pipeline is located close to key prospects within the SBA permit and could assist in commercialising any gas discovery the SBA Joint Venture may make through its drilling program.