

ASX/Media Release

For Immediate Release – 15 May 2015



Testing of Lofin-2 to continue despite operational challenges

Highlights

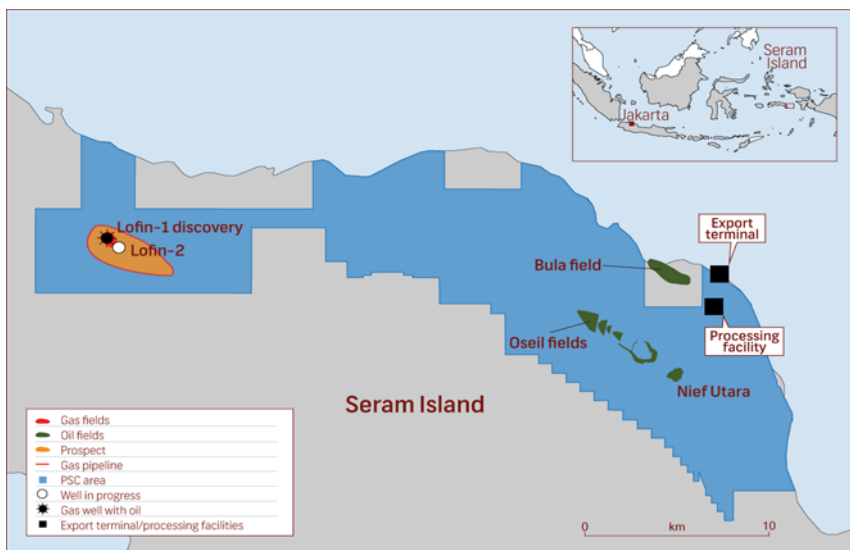
- Lofin-2 has reached a total depth of 5861m MD with encouraging gas and oil shows continuing to be encountered
- Pressure testing indicates a potential hydrocarbon column in Lofin-2 of at least 761m and including Lofin-1, the potential hydrocarbon column in the Lofin structure is at least 1106m
- A 437m section from 4618m MD will now be tested, however operational difficulties may preclude testing of the deeper section

Lion Energy Ltd (ASX Code: LIO) advises that Lofin-2 appraisal well has reached a depth of 5861m MD. Gas chromatography and oil shows in the primary objective were encountered through to total depth. Ongoing operational issues involving stuck drill string have resulted in the decision to test a 437m open hole section of the Manusela limestone.

Since Lion's last update on the Lofin-2 well on 30 April 2015, wireline logging to 5471m MD and deepening of the 6 inch hole to the current total depth of 5861m MD was completed, with gas and oil shows continuing to be encountered in the primary objective. Analysis of pressure data support an interpreted significant gas column in the large Lofin structure.

Lion's CEO Kim Morrison noted "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."

Lofin-2 location map



Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC's.
- An early mover in Indonesia's fledgling unconventional oil & gas industry.
- 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 our business plan.

Contact

Lion Energy Limited

ABN 51 000 753 640

ASX Code: LIO

Ground Floor, 15 Rheola Street

West Perth

WA 6005, Australia

Post Box 512

West Perth Business Centre

WA 6872, Australia

Tel +61 8 9211 1500 | Fax +61 8 9211 1501

info@lionenergy.com.au

www.lionenergy.com.au

Directors & Officers

Russell Brimage	Executive Chairman
Kim Morrison	Chief Executive Officer
Stuart B Smith	Executive Director
Tom Soulsby	Non-Executive Director
Chris Newton	Non-Executive Director
Zane Lewis	Company Secretary

For more information contact

Kim Morrison

+61 404 490 964

kmorrison@lionenergy.com.au

Stuart Smith

+65 9820 3889

ssmith@lionenergy.com.au

Zane Lewis

+61 400 007 900

zlewis@lionenergy.com.au

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Lofin-2 Appraisal well

The Lofin-2 appraisal well spudded on 31 October 2014. The well is being drilled to appraise the 2012 Lofin-1 discovery which flowed gas and some oil/condensate from the Manusela Formation. The well is operated by CITIC Seram Energy Ltd (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

Lofin-2 had a planned total depth (TD) of 5425m MD (5321m ssTVD) with the primary objective Manusela Formation projected at 4488m MD (4384m ssTVD). The primary objective was intersected at 4615m MD (4508m ssTVD), some 125m deeper than prognosed. Wireline logging of the open-hole section above 5471m MD (5348m ssTVD), including pressure measurements, provide strong evidence that the hydrocarbon column continues deeper and therefore the well was drilled to a revised Total Depth of 5861m MD (5686m ssTVD). Encouraging gas and oil shows continued to be recorded while drilling through to the revised total depth within the Manusela limestone.

Since Lion's last update on the Lofin-2 well on 30 April 2015, wireline logging to 5471m MD and deepening of the 6 inch hole in the Manusela limestone objective to the current total depth of 5861m MD was completed. Analysis of pressures obtained on wireline, combined with pressures obtained in the Lofin 1 discovery well, support an interpreted significant gas column in the large Lofin structure.

On pulling out of hole the drill pipe became stuck and on attempting to pull free the drill pipe parted with the top of the stuck drill string at 5025m MD (4948m ssTVD). Numerous attempts to free the stuck pipe have been unsuccessful. Operation are currently focused on fixing a hydraulic problem with rig equipment. Once rectified the decision will be to test the open reservoir section of 437m above the stuck drill string. The test will confirm fluid content and flow potential of the Manusela down to the base of the tested section.

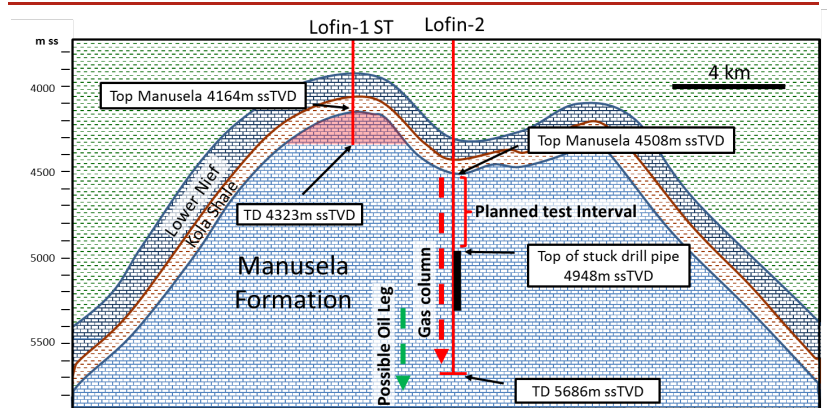
Current Status of Lofin-2

The current status of the Lofin-2 well is summarized below.

- The well spudded 31 October 2014
- 13 3/8 inch casing was run and cemented at 2291m MD
- 9 5/8 inch casing was run and cemented at 3661m MD
- 7 inch liner casing was run and cemented at 4619m MD
- Wireline electric logs have been run across the open hole section from 4619m MD to 5471m MD
- Wireline formation testing using a Modular Formation Dynamics Tester has been run at several intervals in the open hole Manusela Formation section to acquire accurate pressure data and formation samples.
- Well drilled to 5861m MD
- Drill string stuck on pulling out of hole and parted leaving pipe in hole. Top of stuck pipe is 5066m MD.

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.

Lofin Structure – Schematic Cross-section



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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

bopd: barrels oil per day

MD: measured depth

mmscfd: million standard cubic feet of gas per day

PSC: Production Sharing Contract

TD: total depth

TVDKB: total vertical depth referenced to the drill floor

ssTVD: total vertical depth referenced to sea level

ENDS