

Quarterly Report

1 July to 30 September 2018



LION
energy

Lion secures reserves growth, on track for production and further reserves growth

Highlights

- Lion executed a sale and purchase agreement to divest the non-core 40.7% interest in South Block A PSC, Aceh Indonesia
- The East Seram Gross Split PSC was signed containing the south easterly extension of the 2TCF Lofin Field along with 14 prospects and leads totalling 770mmboe's. Lion is hosting prospective farm-in partners and has secured approval from the Government of Indonesia to open a dataroom in Q4, 2018.
- Lion updates the Seram (Non Bula) Block PSC reserves, reporting an 80% uplift in 2P developed oil reserves and a 12% increase in 2P reserves, resulting from the recently announced contract extension.
- Seram (Non Bula) Block PSC production for the quarter was 4,055 bbls net to Lion

Lion Energy Limited ("Lion" or "Company") is pleased to report steady progress during the Quarter, on its revamped strategy.

During the Quarter, Lion reported the sale of its 40.7% interest in the South Block A PSC to Blue Sky Resources Ltd. The sale of the interest largely completes Lion's divestment of non-core assets. The Share Purchase Agreement is subject to the approval of the Government of Indonesia. Through the transaction, Lion retains an exposure to the Armanah Timur prospect via a royalty, but has no further obligations to the South Block A PSC joint venture.

Lion also reported the award of a 100% participating interest in the East Seram PSC which is an exciting addition for the company, and forms a significant part of the revised strategy. The East Seram PSC contains the Lofin Field extension prospective P50 resource of 154BCF¹, along with the highly ranked MA-7 lead with a prospective oil resource of P50 160mmboe's. The PSC, depending on exploration success, has a potential tenure of 30 years on commercially attractive tax and royalty terms.

Lion is entertaining multiple quality potential farniees for the East Seram Block and will open a dataroom in November, 2019.

Production from SNBB averaged 1,868 bopd for the quarter (44 bopd net to Lion). Gross crude oil production for the quarter was 171,862 bbl (4,055 bbl net to Lion). No crude oil liftings were carried out during the quarter. Crude oil available for lifting at September 30, 2018, was 211,430 bbls.

Lion continues to seek incremental exposure to Seram Island.

Lion at a glance

- ASX listed oil and gas E&P company focused on Seram Island, East Indonesia; two conventional PSC's on gross split terms.
- Net production of around 50bopd from the Seram PSC which also contains the Lofin gas/condensate discovery.
- New focus on production opportunities in Southeast Asia, initial focus on Seram Island.
- Executive team and strategic investors with impressive track records for value creation in Indonesia.

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¹ Lofin Field extension in the East Seram PSC potential currently assigned as prospective rather than contingent resource pending further analysis.

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Operations update (Q3-2018)

Seram (Non-Bula) Block PSC

Lion, via its wholly owned subsidiary Lion International Investment Ltd, holds a 2.5% participating interest in the Seram (Non-Bula) Block PSC ('SNBB'), located onshore Seram Island in eastern Indonesia.

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 17,278,763 barrels since production started in January 2003 through to September 30, 2018.

As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the PSC.

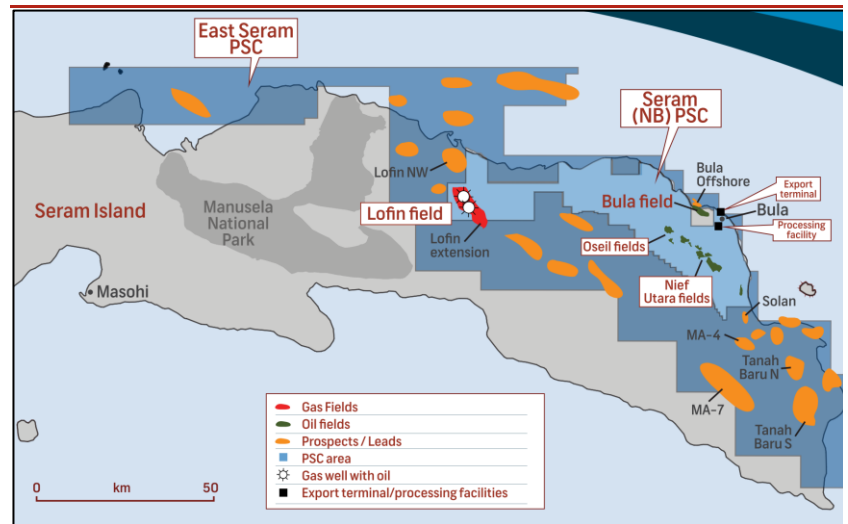
The renewal, as a new gross split PSC, of SNBB with the official signing of the extension for a further 20 year term was executed May 31, 2018, between the joint venture partners and the Ministry of Minerals Resources of the Republic of Indonesia.

This is a significant milestone in that it provides the joint venture participants:

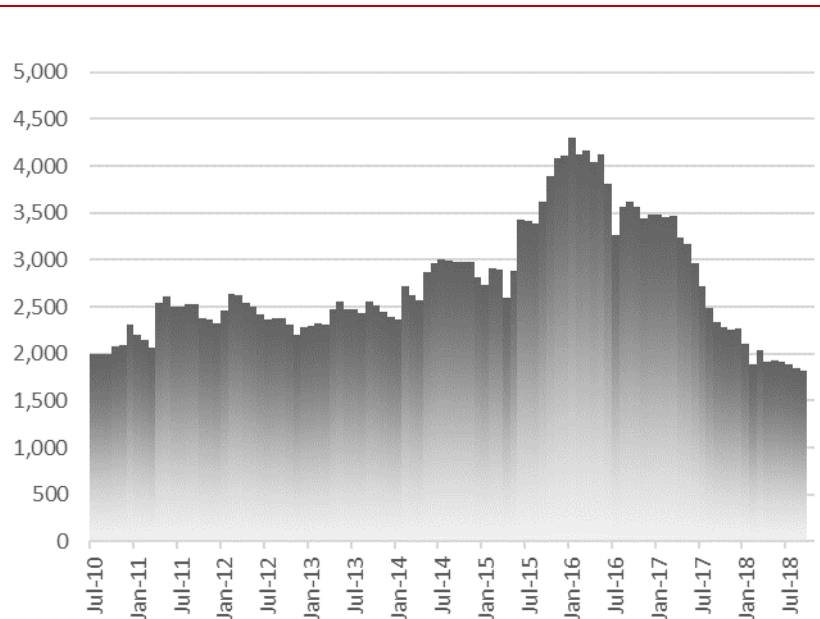
- The opportunity to proceed with the final appraisal and development of the significant Lofin gas discovery resource of in excess of 2 TCF.
- The opportunity to complete the full drilling program of the Plan of Further Development ('POFD') approved by the Indonesian regulatory body SKK Migas, on May 5, 2015. Only six of the 10 wells approved in the POFD were drilled due to the uncertainty of the SNBB renewal, with the pending expiry of the block limiting the time for recovery of the drilling expenditure. The six wells drilled in the POFD have produced in excess of 3 million barrels of crude oil since production commenced in January 2014. Of the 25 wells drilled in the Oseil oilfield, 12 of which are located in the Oseil-2 fault block, 6 of the 12 are POFD wells and the remaining 4 approved under the POFD will also be drilled in the Oseil-2 fault block.

- The POFD was officially approved by the the Indonesian regulatory body SKK Migas, on May 5, 2015. However 4 wells in the POFD program were drilled prior to the official approval under a negotiated arrangement with the regulatory body.

Seram (Non Bula) Block PSC/East Seram PSC - location map



Seram (Non Bula) Block - daily production per calendar month (bopd)



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Production

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 171,862 bbl (4,055 bbls net to Lion). Daily production averaged 1,868 bopd (Lion's net working interest being 44 bopd). The decline from the previous quarter, which averaged 1,933 bopd, was expected and due to natural production decline. One well service was commenced on September 25th and completed October 5th 2018.

Crude oil available for lifting at 30 June 2018 was 211,430. The next lifting is scheduled for December 2018.

Reserves

During the quarter, Lion factored into its reserves the contract renewal (announced on June 1, 2018) and the receipt of the DeGoyler and McNaughton ("D&M") Reserve Certification Report prepared for CITIC Seram Energy Ltd (effective 31 December 2017). The updated reserves and resources in a release dated September 7, 2018 is available on the Lion website.

The key highlights are;

1. An 80% increase in the 2P developed oil reserves (1.398 to 2.509mmbbls) on a 100% basis, or from 0.035 to 0.63mmbbls net to Lion.
2. A 12% increase in 2P reserves from 3.671m to 4.107m on a 100% basis, or from 0.092 to 0.103mmbbls.
3. A reduction in the 3C contingent oil resources from 17.6 to 10.1 mmbbls/ 0.44 to 0.26 to Lion due to a reduction in the assumed recovery factor from 7% to 3.5% in the East Neif field by D&M and the movement of contingent resources to reserves due to the contract extension.

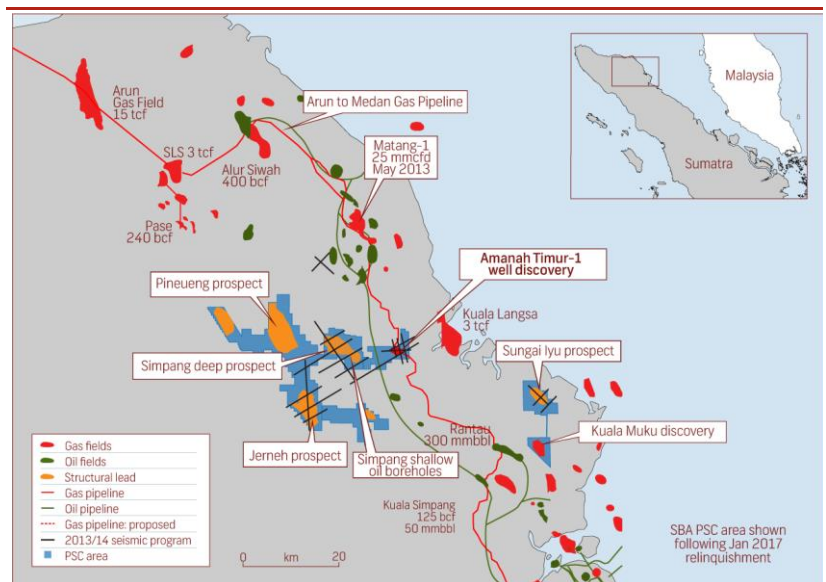
South Block A PSC

Lion reported in the Company's Q2 2018 report that it signed a sale and purchase agreement for the sale of its 40.7% interest in the South Block A PSC (SBA). The other participant in SBA is Renco Elang Energy Pte Ltd (59.3% interest and Operator).

Lion executed an agreement on July 24, 2018 to sell the Company's holding in South Block A ("SBA") to Blue Sky Resources Ltd ("BSRL") for a nominal amount of \$10. Lion retains a right to a production royalty with a maximum value of US\$4,500,000. Under the terms of the royalty agreement, Lion is entitled to a royalty equal to 0.8% of the revenue derived from the SBA PSC up to a maximum of US\$4,500,000. The royalty will accrue and become payable once 50% of the SBA PSC cost recovery pool at first oil has been recovered.

Lion retains an exposure to the AMT2 well via its royalty, but has no further obligations to the SBA JV.

South Block A PSC – location map



Expenditures

No cash calls were paid during the quarter and under the transaction, Lion has no more financial obligations to the SBA JV.

Unconventional Joint Studies and Joint Study Applications

Lion is reconsidering its position in relation to these rights, and will likely exit in 2018. Lion has not spent any funds on these interests in the quarter.

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Corporate

Whilst the company continues to maintain a focus on costs, company is pursuing an active new business program in Indonesia, initially concentrated on Seram Island. We expect G&A costs to track steady year on year around US\$1m.

Qualified petroleum reserves and resources evaluator requirements

In accordance with ASX Listing Rule 5.43 the Company confirms that references to petroleum reserves, contingent resources and prospective resources have previously been announced (7/9/2018 and 10/9/2018). The Company confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all the material assumptions and technical parameters underpinning the estimates in this announcement continue to apply and have not materially changed.

Glossary

bbl: barrels

bcf: billion cubic feet

bopd: barrels oil per day

BOP: blow out preventer

ESP: Electric submersible pump

FTP: first tranche petroleum

JV: joint venture

KB: Kelly bushing

mmscfd: million standard cubic feet of gas per day

mmbbl: million barrels

MD: measured depth

POS: probability of success

PSC: Production Sharing Contract

psi: pounds per square inch

tcf: trillion cubic feet

Sq.km: square kilometres

ss TVD: sub-sea true vertical depth

TD: total depth

END