

# ASX/Media Release

For Immediate Release – 12 December 2018



## Lion moves to increase interest in Seram (Non Bula) PSC to 19%

Lion Energy Limited ("Lion" or "Company"; ASX: LIO) is pleased to advise that it has entered into a conditional sale and purchase agreement ("SPA") with Gulf Petroleum Investment Company KSCC ("GPI") to acquire GPI's 16.5% stake in the Seram (Non Bula) PSC ("SNB"), increasing Lion's stake in SNB to 19% (the "Proposed Transaction"). SNB contains the Lofin gas discovery which contains 2C contingent resources of 2.02TCF of gas and 18.2mmbbls of condensate on a 100% basis<sup>1</sup> and the Oseil Oil Field which has remaining reserves of 4.1mmbbls (100%).

Tom Soulsby, Lion's Executive Chairman, said: "This opportunity is a game changer for Lion and, subject to funding and completion, will springboard the company into a significant regional gas player on the basis of reserves once commercialisation milestones are satisfied on the massive Lofin gas and condensate discovery".

Through the Proposed Transaction, which is subject to shareholder approval by Lion's shareholders, Lion will capture, on a net basis, additional 2C contingent resources of **333BCF gas and 3.02mmbbls of condensate, and 0.7mmbbls of 2P oil reserves<sup>1</sup> for a consideration of US\$32m** payable upon completion of the Proposed Transaction. In addition, Lion has an obligation to pay contingent considerations against milestones: US\$7.2m upon full field plan of development ("POD") approval and another US\$4.8m upon first gas production from the approved full field POD. Key terms of the SPA are set out later in this announcement.

As at the date of this announcement the funding required to complete the Proposed Transaction has not been secured. Lion is in discussions with various parties and is considering various funding options. Further information is provided overleaf.

The total purchase price of US\$44m represents a 58% discount to the preferred intrinsic value of SNB according to the independent valuation report dated 4 August 2018 prepared by ResourceInvest in connection with Lion's EGM held on 7 November 2018.

### Lion at a glance

- ) ASX listed oil and gas company with conventional PSC in Indonesia.
- ) Focus on conventional oil and gas production and development, appraisal and step out exploration risk opportunities
- ) Net production of around 50bopd from the Seram PSC which also contains the Lofin gas/condensate discovery.
- ) Leveraging synergies in conventional assets and access to both infrastructure and markets.
- ) Executive team and strategic investors with strong track records for value creation in Indonesia.

### Contact

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### Directors & Officers

<b>Tom Soulsby</b>	Executive Chairman
<b>Damien Servant</b>	Executive Director
<b>Russell Brimage</b>	Non-Executive Director
<b>Chris Newton</b>	Non-Executive Director
<b>Zane Lewis</b>	Non Executive Director and Company Secretary

### For more information contact

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<sup>1</sup> See Lion's latest disclosure contained in its announcement dated September 7, 2018 entitled "Seram (Non Bula) PSC reserves and contingent resources update" and Lion's announcement of October 8, 2015, "Milestone Lofin discovery – 2tcf contingent resource". The Company also confirms that it is not aware of any new information or data that materially affects the Lofin contingent resource and that all the material assumptions and technical parameters underpinning the resource continue to apply and have not materially changed.

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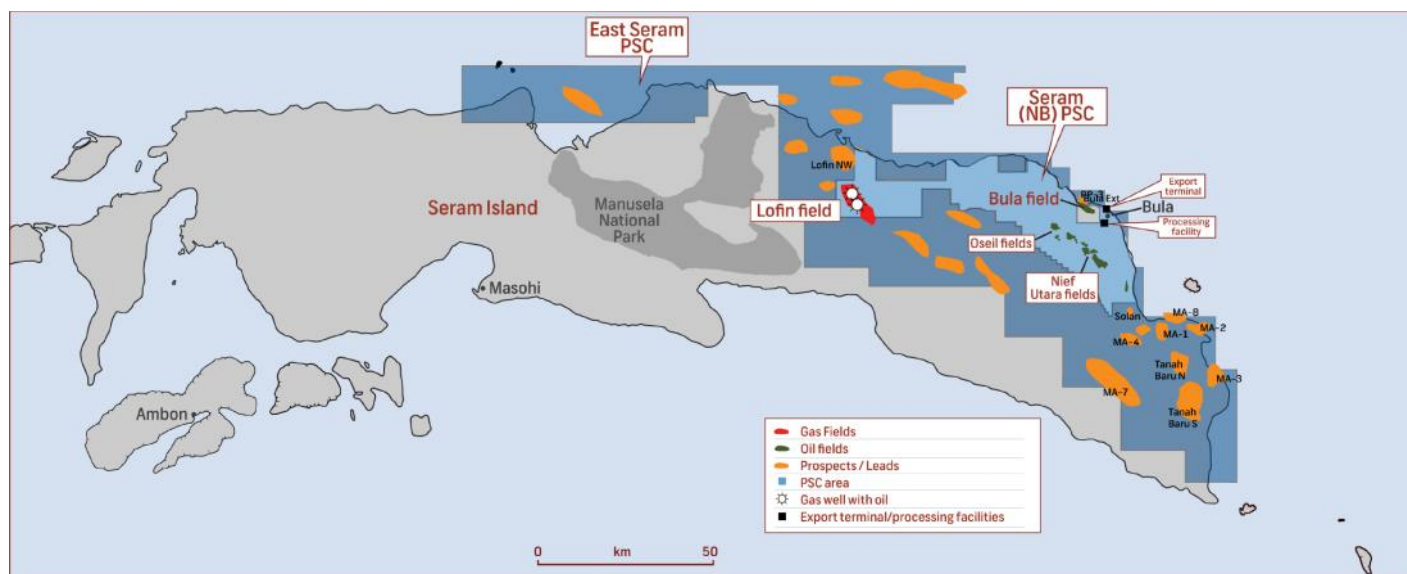


Subject to completion, the interests in SNB will be as follows:

Entity	Interest (%)
CITIC Seram Energy (operator)	41
PT Petro Indo Mandiri	30
Lion Energy	19
PT GHJ Seram Indonesia	10
<b>TOTAL</b>	<b>100</b>

As the Company is increasing its interest in SNB, at this stage no changes are contemplated to the board or management.

Lion's increased interest in SNB will complement its 100% interest in the recently awarded adjacent East Seram PSC. Lion has the dominant land position on the new un-creamed, immature Seram Island Manusela play.



## Key terms of the SPA

- ) Buyer: Seram Energy Pte Ltd, a wholly-owned subsidiary of the Company.
- ) Seller: Gulf Petroleum Investment Company KSCC (unrelated party of the Company).
- ) Effective Date: 1 November 2018.
- ) Upfront consideration: US\$32m as of Effective Date, subject to standard adjustments based on working capital as of Effective Date and cash calls / distributions made up to completion.
- ) Contingent considerations (guaranteed by Lion):
  - o US\$7.2m within 4 months from approval by the Indonesian Government of the POD for the Lofin Gas Field.
  - o US\$4.8m within 4 months from the date of the first commercial gas production from the approved POD.
- ) Other amount payable: 50% of Indonesian transfer tax associated with the Proposed Transaction (which is expected to be 7% of the consideration).
- ) Deposit: nil.
- ) Material conditions precedent (must be met by 11 December 2019):

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- Approval from the Indonesian regulator.
- Approval from the SNB joint-venture partners.
- Fulfilment of any regulatory conditions imposed on Lion by the Corporations Act or ASX Listing Rules (shareholder approval under Listing Rule 11.1.2 is required).
- Provision of a corporate guarantee by Lion to the seller to guarantee the Buyer's obligations in relation to the contingent considerations.

## **Funding sources**

As noted above, as at the date of this release, the funding required to complete the Proposed Transaction has not been secured. Lion is in discussions with various parties and is considering various funding options, and will update the market in accordance with its continuous disclosure obligations once funding arrangements have been finalised.

Following the finalisation of funding arrangements, the Company will seek shareholder approval for the Proposed Transaction, with further details of the effects of the Proposed Transaction (including funding) to be provided in a notice of meeting and explanatory statement.

As some of the conditions precedent are not within the control of Lion, there can be no assurance that the Proposed Transaction will complete. In particular, it is unlikely Lion will obtain shareholder approval if the funding to complete the Proposed Transaction has not been satisfactorily secured. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

## **Impact on Lion**

Mr Soulsby went on to say that "Lion now represents an exciting prospect for investors as it presents a high impact Indonesian upstream portfolio that, on completion of this transaction, would include:

1. Material oil and gas resources via a 19% total stake in the SNB PSC.
2. Existing oil production and cashflows.
3. World class certified resources with a large gas development project.
4. Exploration exposure in a proven, but early stage basin with extensive existing infrastructure on excellent fiscal terms in a much-improved gross split PSC operating environment.
5. Prominent Indonesian co-investors with strong energy related investment experience."

**ENDS**