

Quarterly Report

1 January to 31 March 2019



Lion Energy Limited

Highlights

Lion Energy Limited (“Lion” or “Company”) is pleased to report further progress during the 1st quarter of 2019.

- In late 2018, Lion announced its intention to acquire a further 16.5% of the Seram (Non Bula) Block PSC, which contains additional contingent resources of 333BCF gas and 3.02mmbbls condensate and 0.7mmbbls of 2P oil reserves¹. Lion continues to work with seller, GPI, and the Government of Indonesia to progress the transaction to completion and plans to bring the deal before shareholders prior to completion.
- Following the execution of the East Seram Gross Split PSC in Q3 2018, Lion continues to host prospective farm-in partners and we expect to conclude a farmout in mid-2019.
- Seram (Non Bula) Block PSC production for the quarter was 3,809 bbls net to Lion.

In the previous Quarter, Lion reported that it entered into a conditional sale and purchase agreement with Gulf Petroelum Investment Company KSCC (“GPI”) to acquire GPI’s 16.5% stake in the Seram (Non Bula) PSC (“SNB”) increasing Lion’s stake to 19%. Through the transaction, which is subject to Indonesian Government and shareholder approval, the company will capture some 58.5mmboe’s of contingent resources and 0.7mmboe’s of 2P reserves.

Mr Soulsby, Lion’s Chairman said that “we reported in our Q3, 2018 quarterly announcement our desire to increase our stake in the SNB PSC. This GPI deal announcement is further evidence of Lion delivering on its promises and strategy. The opportunity is a game changer for Lion, and subject to completion,, will springboard the company into a significant regional player on the basis of reserves once commercialisation milestones are satisfied on the large Lofin gas and condensate discovery”.

Lion also previously 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 block contains 14 leads with some 770mmboe of prospective resources including the highly ranked MA-7 oil prospect and the Lofin Field extension with a prospective 2P resource of 154BCF². Lion continues to present to multiple quality potential farniees for the East Seram Block and opened a dataroom in November, 2018.

Production from SNB averaged 1,794 bopd for the quarter (42 bopd net to Lion). Gross crude oil production for the quarter was 161,438 bbl (3,809 bbl net to Lion). Since the previous crude oil lifting of 368,857 bbls was completed on 24 December 2018, no further lifting has occurred. Crude oil available for lifting at Quarter end was 176,221 bbls. The next lifting will likely be in July 2019.

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.

Contact

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¹ See Lion’s latest disclosure contained in its announcement dated September 7, 2018 and October 8, 2015.

² See Lion’s latest disclosure contained in its announcement dated September 10, 2018

Lion is not aware of any new information or data that materially affects the Lofin contingent resource and that all material assumptions and technical parameters underpinning the resource continue to apply and have not materially changed.

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Operations update (Q1-2019)

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 ('SNB'), located onshore Seram Island in eastern Indonesia.

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 17,610,860 barrels since production started in January 2003 through to 31 March 2019.

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

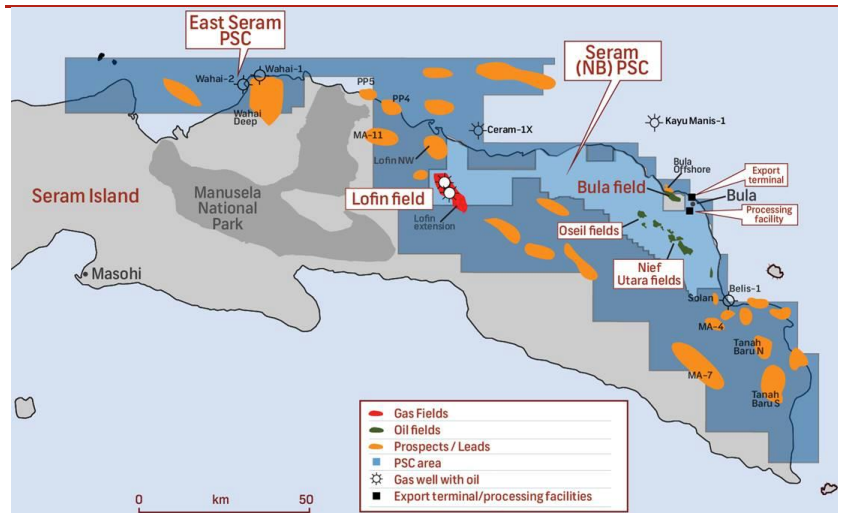
The renewal, as a new gross split PSC, of SNBB with the official signing of the extension for a further 20 year term was executed 31 May 2018, between the joint venture partners and the Ministry of Minerals Resources of the Republic of Indonesia.

This significant milestone provides the joint venture participants:

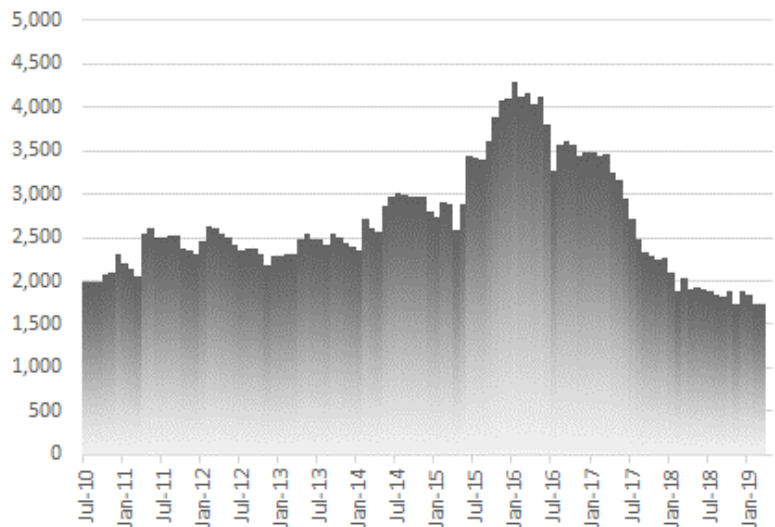
- The opportunity to proceed with the final appraisal and development of the significant Lofin gas discovery resource of in excess of 2 TCF.
- The opportunity to complete the full drilling program of the Plan of Further Development ('POFD') approved by the Indonesian regulatory body SKK Migas, on 5 May 2015. Only six of the 10 wells approved in the POFD were drilled due to the uncertainty of the SNB 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 3.380 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.

- Whilst the POFD was officially approved by the the Indonesian regulatory body SKK Migas, on 5 May 2015, 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 - 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 161,438 bbl (Lion's share 3,809 bbls). Daily production averaged 1,794 bopd (Lion's working interest being 41 bopd). The minimal decline from the previous quarter, which averaged 1,855 bopd, is the result of ongoing operations focus on fine tuning well performance. Only one workover was carried out in the quarter to replace a failed downhole electric submersible pump.

Crude oil available for lifting at 31 March 2019 was 176,221 bbls. Current production forecast indicates the next crude oil lifting will be in July 2019. A further 7,857 bbls is available in process for storage.

Planned increase in working interest

Lion announced to the market on 12 December 2018, its intention to acquire GPI's 16.5% stake in SNB, increasing Lion's stake to 19%. Through the proposed transaction, which is subject to shareholder approval, Lion will capture, on a net basis, additional 2C contingent resources of 333 BCF gas and 3.02 mmoeb's condensate, and 0.7 mmbbls of 2P oil reserves (see footnote 1 on page 1 of this report for more details).

The purchase price is US\$32m payable upon completion. In addition, Lion has an obligation to pay contingent consideration against milestones: US\$7.2m upon full field plan of development (POD) approval and another US\$4.8m upon first gas production from the approval full field POD. Key terms of the SPA are set out in the relevant announcement made by the company referred to above. As of the date of this report, the funding required to complete the transaction has not been secured. Lion is in discussions with various parties and is considering various funding options. 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 AGM held on November 7, 2018.

Reserves

During the previous 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 key highlights were;

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.

In Lion's Annual Report released 15th April 2019, these reserves have been updated to reflect production from the Oseil and surrounding oilfields to 31 December 2018.

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East Seram PSC

The East Seram PSC (Lion 100%) was secured in 2018 and activities in the quarter included seismic planning work as well as stepped up farm out activity. The 6510 km² PSC covers much of the eastern part of Seram Island and surrounds the producing Seram (Non-Bula) PSC.

Importantly the new PSC contains the southeast extension of the 2 TCF Lofin field, which was appraised by Seram (Non Bula) PSC participants in 2015, and the offshore extension of the 20 mmbbl Bula Field of which Lion was operator from 2000-2005.

Lion's extensive knowledge and database of the area allows the Company a competitive advantage and has proved critical in high grading and subsequently obtaining the new acreage.

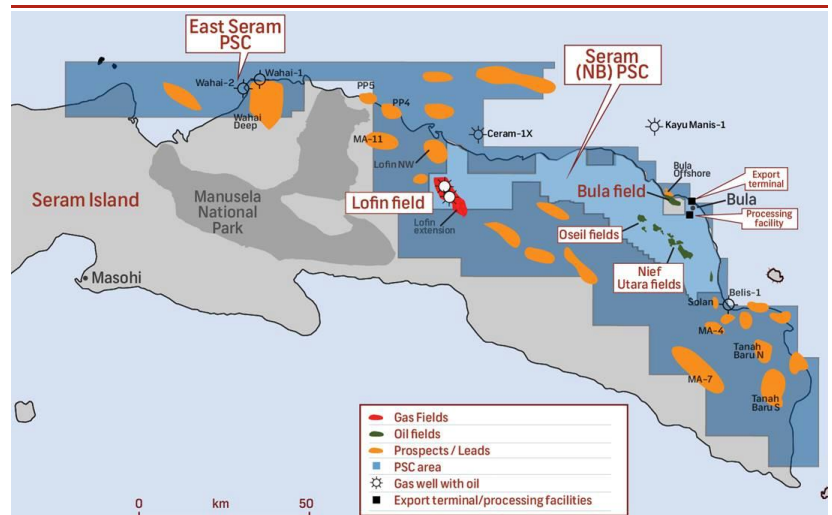
The East Seram PSC was awarded under Indonesia's new Gross Split PSC system which significantly reduces the bureaucratic burden on companies while providing internationally competitive fiscal terms with company profit share of at least 75% before corporate income tax. A modest commitment for the 3-year firm program consists of 500km 2D seismic (to be acquired either onshore or offshore) as well as geological and geophysical studies. No commitment wells are included in the primary 3-year term.

During the quarter, Lion undertook further detailed technical studies and delineated an impressive portfolio of 18 prospects and leads with Best estimate (P50) combined prospective resource¹ of 1.23 billion boe (refer announcement dated 3 March, 2004)). Key leads include MA-7 which has high side estimate prospective resource¹ of over 1 billion boe.

A 500 km 2D seismic survey is scheduled for 2020 and planned to cover high graded prospects and leads as well as the extensions of the Lofin and Bula field. Planning for the survey which is expected to be shot both on and offshore is well underway. Lion is confident this will result in a suite of drill ready targets and reinforce the East Seram PSC as one of the most high-potential exploration blocks in the SE Asian region.

Lion continues to entertain farm in parties and aims to announce a farm-out deal in mid-2019.

East Seram PSC – location map



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Corporate

Whilst the Company continues to maintain a focus on costs, we continue to pursue an active new business program in Indonesia, initially focussed 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