

Quarterly Report

1 October to 31 December 2019



Highlights – Lion reports further steady progress

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

- Lion and Taiwan-based CPC Corporation commenced joint exploration efforts in the highly prospective East Seram PSC, after executing a Joint Operating Agreement (“JOA”) in November 2019.
- Farmout discussions are ongoing for a further 10% divestment of East Seram by the Company.
- Cash at quarter end was US\$1.62m, an increase of US\$1.24m due to farmout total proceeds and lifting receipts less costs
- Seismic survey planning well underway including environmental permits. Seismic acquisition planned for H2 2020.
- Seram (Non-Bula) Block (“SNB”) PSC production for the quarter was 3,531 bbls net to Lion.

During Q3 2019, Lion Energy, operator of the East Seram PSC via its wholly-owned subsidiary Balam Energy Pte Ltd, reported that Taiwanese based CPC Corporation, through its wholly-owned subsidiary, OPIC East Seram Corporation (“OESC”), will acquire a 40% participating interest in the East Seram PSC under a Farmout Agreement (“FOA”) signed on 25 September 2019. The farmout is subject to Government of Indonesia (“GOI”) approval. GOI approval of the transfer is expected to complete in Q1 2020.

Lion previously reported that the award of the East Seram PSC formed a significant part of a revised strategy which now focuses on the Seram Basin. The block, which surrounds the producing SNB PSC area, contains 18 leads with some 1.24 billion P50 (best estimate) prospective resources¹ including the highly ranked MA-7 oil prospect (P50 217 mmbore) and the Lofin Field extension with P50 prospective resource of 154BCF¹.

Mr Soulsby, Lion’s Chairman, said that “we are pleased with the progress, working closely with OESC in the East Seram PSC. Furthermore, we are excited about the overall response to our farmout process by the industry. Lion set out to farmout 50% of the PSC. Having done 40% with OWSC, we continue to entertain interested parties for a further 10%. The OESC transaction strongly endorses our views on the material prospects and leads in the block. We will advise the market as soon as we have an update on any additional farmout. Seismic planning, permitting and scouting is well underway. We expect to go out to tender for the seismic acquisition shortly.”

Production from SNB averaged 1,627 bopd for the quarter (~38 bopd net to Lion). Gross crude oil production for the quarter was 149,677 bbl (3,531 bbl net to Lion). A crude oil lifting was commenced on 30 September 2019 with a total loadout of 476,384 bbls completed on 2 October 2019, with Lion receiving proceeds of US\$534,521 in December 2019. A further lifting of 155,268 bbls was completed 2 January 2020.

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 40bopd 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 The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. 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

East Seram PSC

The East Seram PSC (Lion now 60%) was signed in July 2018. As noted in Lion's press release on 27 September 2019, Lion signed a farmout agreement with OESC, a subsidiary of Taiwan's CPC Corporation.

OESC will farm in to take a 40% working interest under a farmout agreement signed with the Company on 25 September 2019.

Under the terms of the farm-in, OESC have agreed to:

- pay 80% of back costs (till 31 August 2018) or circa US\$939,000 plus its 40% share of performance bond collateral or US\$0.150m. These funds are now received.
- fund 80% of gross seismic costs up to US\$8.5m for firm commitment. Any costs incurred above the cap of US\$8.5m will be on remaining working interest basis (Lion 60%, OESC 40%).
- From JOA signing, fund 40% of G&G (non seismic) and G&A costs which started 1 Sept 2018, then as per JOA on a working interest basis. Back cost payments relating to the above terms have been received.
- Fund 20% of Lion's well costs for any follow up exploration well drilling in phase 2, but this is repayable out of production. The deal is subject to the execution of a Joint Operating Agreement (JOA) between the parties and the approval of the Indonesian Government.
- Joint Operating Agreement (JOA) was signed by the parties in November 2019
- Total receipts from the farmout were US\$1.378m

Following completion of the deal, participating interests in the East Seram PSC will be;

Balam Energy Pte Ltd (Operator):	60%
OESC:	40%
Total:	100%

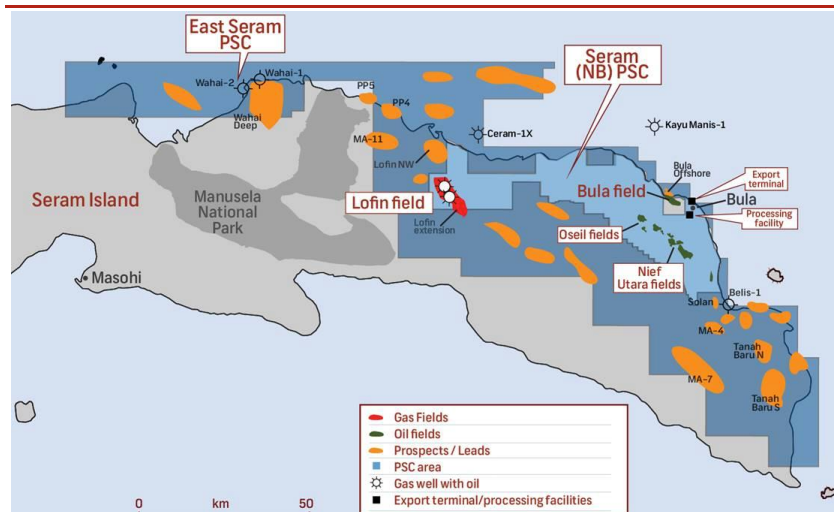
Work program update

Lion is planning to shoot seismic commencing in mid-2020 with a program of approximately 500km 2D seismic consisting of an estimated 300km to be acquired offshore and approximately 200km onshore. Lion has identified its key seismic focus areas to cover high graded prospects and leads as well as the extensions of the Bula oil fields. 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 South East Asian region

Strong progress was made during the quarter on the seismic planning including permitting, environmental impact studies and conducting a number of scouting trips to Seram island. The scouting trips have been extremely positive and shown better than expected accessibility to the areas to be targeted by the planned survey lines. Analysis of appropriate onshore and offshore acquisition parameters and systems is ongoing, as are discussions with the key identified seismic contractors in Indonesia with respect to survey equipment, logistics and costs.

Constructive meetings were also held during the quarter with the Government regulatory body, SKK Migas, fully approving our proposed program for 2020.

East Seram PSC – location map



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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, located onshore Seram Island in eastern Indonesia.

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 18,079,165 barrels since production started in January 2003 through to 31 December 2019.

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

The renewal of the SNB as a new gross split PSC, was executed with the official signing of the extension for a further 20 year term on 31 May 2018, between the joint venture partners and the Ministry of Minerals Resources of the Republic of Indonesia. The new contract became effective 1st November 2019.

This significant milestone provides the joint venture participants:

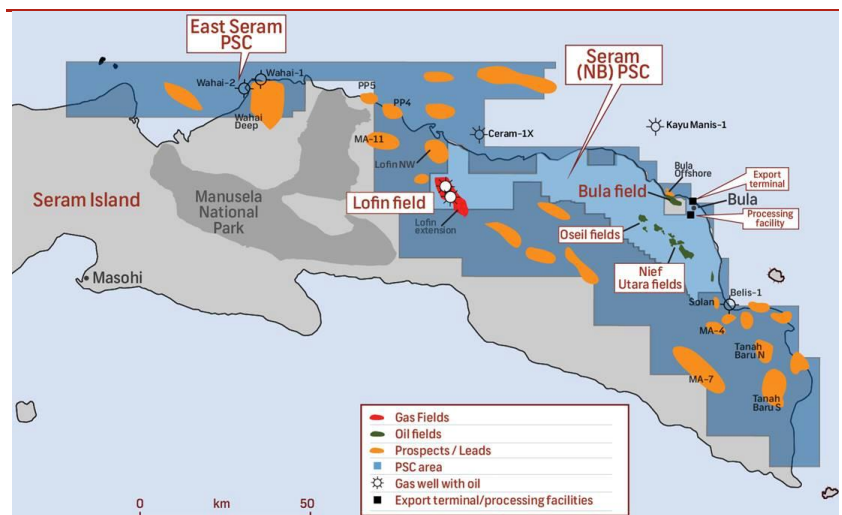
- The opportunity to proceed with further appraisal and development of the significant Lofin gas discovery resource of in excess of 2 TCF. The JV has approved the commencement of the Lofin-2 well test and this work is expected to be carried out commencing Q1, 2020, subject to rig availability.
- The 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 3.643 million barrels of crude oil since production commenced in January 2014. Of the 25 wells drilled in the Oseil oilfield, 12 are located in the Oseil-2 fault block and 6 of the 12 are POFD wells, with the remaining 4 approved under the POFD to be drilled in the Oseil-2 fault block. The JV has approved the drilling of the remaining development wells and this is scheduled to commence in Q1, 2020 with the projection that each well will add initial production of 500 bopd.

Production

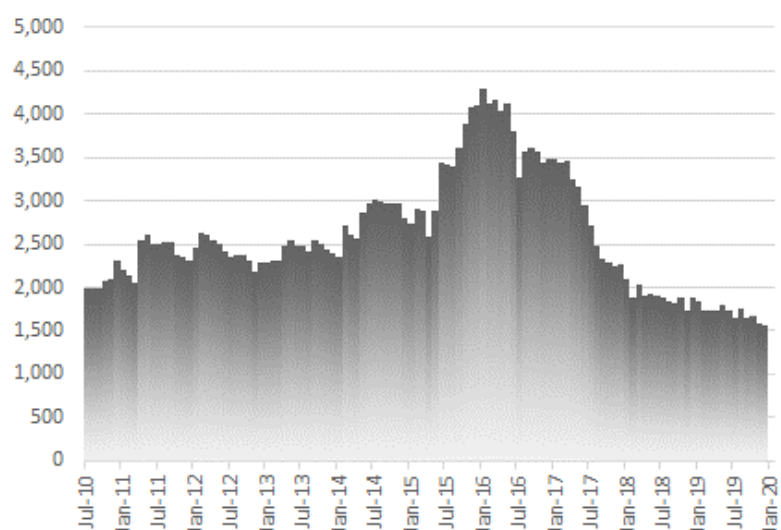
During the quarter, gross crude oil production from Oseil and surrounding oilfields was 149,671 bbl (Lion's net share 3,531 bbls). Daily production averaged 1,627 bopd (Lion's working interest being 38 bopd). The minimal decline from the previous quarter, which averaged 1,706 bopd, is the result of ongoing operations focus on fine tuning well performance. The only well service during the quarter was on Oseil-28, which was still in progress at the end of the Quarter. The well service is being carried out on Oseil-28 in an endeavour to reduce water production from the well.

Crude oil available for lifting, adjusted for the lifting in progress at the end of the Quarter, was 34,764 bbls.

Seram (Non-Bula) Block PSC - location map



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



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Corporate

The Company continues to maintain a focus on costs, whilst pursuing 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	JV: joint venture	PSC: Production Sharing Contract
bcf: billion cubic feet	KB: Kelly bushing	psi: pounds per square inch
bopd: barrels oil per day	mmscfd: million standard cubic feet of gas per day	tcf: trillion cubic feet
BOP: blow out preventer	mmbbl: million barrels	Sq.km: square kilometres
ESP: Electric submersible pump	MD: measured depth	ss TVD: sub-sea true vertical depth
FTP: first tranche petroleum	POS: probability of success	TD: total depth

END