

Quarterly Report

1 January to 31 March 2020



Highlights – Lion remains on track whilst managing Covid-19 issues

Lion Energy Limited (“Lion” or “Company”) is pleased to report continued progress during the first quarter of 2020, with East Seram PSC marine seismic plans on track and the Oseil-29 well spudding in the Seram (Non Bula) PSC

- 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\$1.21m (excluding joint-venture cash), a decrease of US\$0.4m from Q4, 2019.
- Seismic survey planning well underway with environmental permits secured.
- Seram (Non-Bula) Block (“SNB”) PSC production for the quarter was 3,656 bbls gross to Lion before Government of Indonesia (“GOI”) entitlement.
- SNB development well Oseil-29, testing the undrilled NW portion of the prolific Oseil 2 area, spudded.

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 was subject to Government of Indonesia (“GOI”) approval. GOI approval of the transfer was received on 13 April 2020.

Mr Soulsby, Lion’s Chairman, said that “we are pleased that GOI approval has been received and 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. The OESC transaction strongly endorses our views on the material prospects and leads in the block and progress for shooting seismic is on track, albeit challenged by restrictions due to the Covid-19 situation. We will advise the market as soon as we have an update on any additional news on farming out and seismic activities and related timing. Seismic planning, permitting and scouting is close to complete. Tendering is well advanced for the seismic acquisition.”

Production from SNB averaged 1,607 bopd for the quarter (~40 bopd gross to Lion). Gross crude oil production for the quarter was 146,223 bbl (3,656 bbl gross to Lion). A crude oil lifting was commenced on 31 December 2019 with a total loadout of 155,268 bbls completed on 2 January 2020, with Lion expecting to receive proceeds of US\$233,628 in May 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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Quarterly Report

1 January to 31 March 2020



Operations update

East Seram PSC

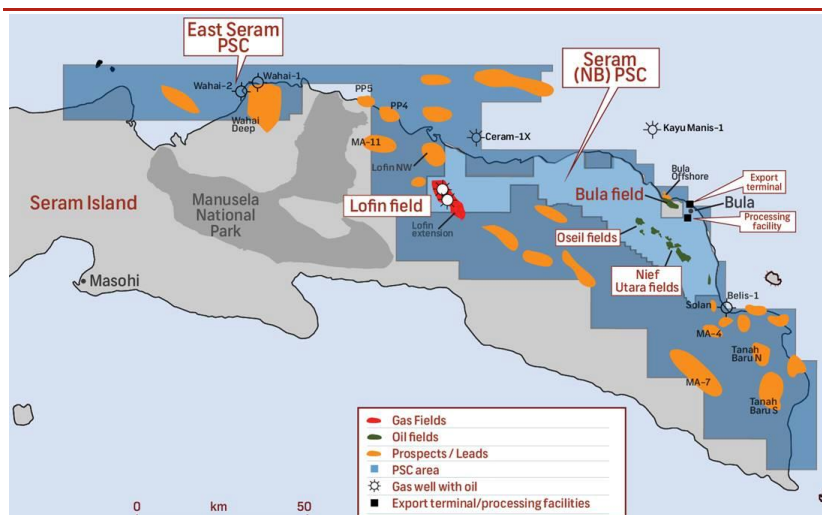
The East Seram PSC (Lion now 60%) was signed in July 2018. As noted in Lion's press release on 27 September 2019, Lion signed a farmout agreement with OESC, a subsidiary of Taiwan's CPC Corporation.

OESC farmed-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 (until 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. On 13 April 2020 the GOI formally approved the farm out.
- Total receipts from the farmout were US\$1.378m.

East Seram PSC – location map



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

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

Work program update

Lion is planning to shoot seismic commencing in Q3 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 permitting, environmental impact studies, socialisation and tendering. Earlier scouting trips were extremely positive and show 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 and was factored into the tendering process with respect to survey equipment, logistics and costs. Lion is monitoring the Covid-19 situation with respect to our seismic plans and timing and will be subject to Indonesia Government direction as well as our internal risk assessment. At this stage we are working with potential seismic acquisition companies and hopeful we will be able to undertake the marine seismic component safely and effectively in Q3/Q4 2020. We will keep the market updated on plans as they evolve.

Quarterly Report

1 January to 31 March 2020

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Background

The 6,510 km² PSC covers much of the eastern part of Seram Island and surrounds the producing Seram (Non-Bula) PSC.

The 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 delivers the Company a competitive advantage and has proved critical in high grading and subsequently obtaining the East Seram 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.

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 18,225,388 barrels since production started in January 2003 through to 31 March 2020.

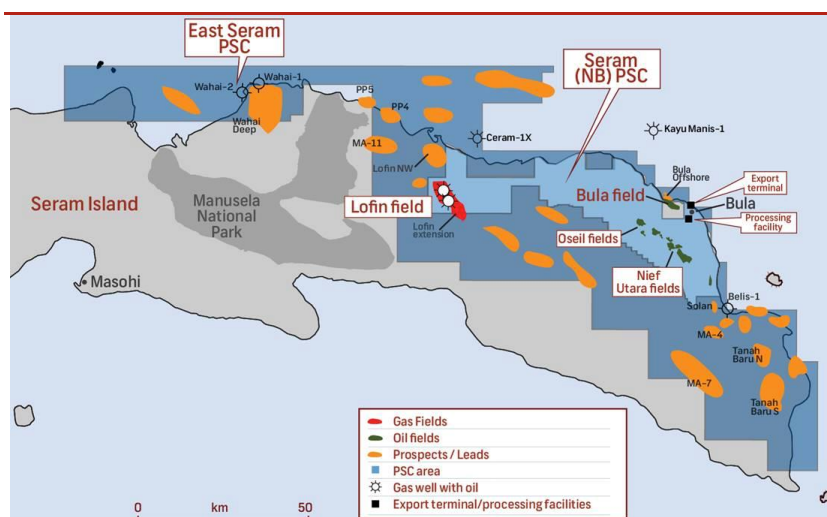
As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the SNB PSC.

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.

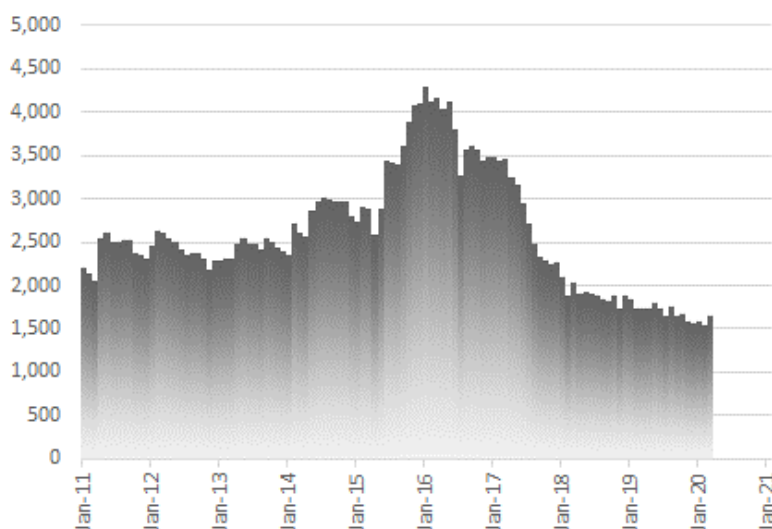
This significant milestone provides the joint venture participants:

- 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 scheduled to be carried out in 2020, subject to rig availability and supply and contractor availability issues arising from the COVID-19 health crisis.

Seram (Non-Bula) Block PSC - location map



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



Quarterly Report

1 January to 31 March 2020



- 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 3.734 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. The first of these, Osel-29, spudded on 9 February 2020 and is expected to reach prognosed total measured depth of 2,333 metres in May 2020. This is an important well as it has potential to open up an undrilled portion of the Oseil field. Of interest the well has intersected the Manusela reservoir ~40m high to prognosis and Lion is hopeful the well will deliver good production performance. This will be followed by Oseil-23 development well, subject to no deferral resulting from ongoing COVID-19 issues. As a result of the dramatic decline in global crude oil prices, the Joint Venture is currently re-assessing the commercial justification before committing to the final two planned development wells. Further updates will be provided by the Company.

Production

During the quarter, gross crude oil production from Oseil and surrounding oilfields was 146,223 bbls (Lion's gross share 3,656 bbls). Daily production averaged 1,607 bopd (Lion's working interest being 40 bopd). The minimal decline from the previous quarter, which averaged 1,627 bopd, is the result of ongoing operations focus on fine tuning well performance. Two well services were carried out in the Quarter to replace downhole ESP's on wells Oseil-27 and Oseil 16. Both well services were completed during the Quarter and the wells are back in service. The well service on Oseil-28 that was commenced in the previous Quarter was successfully completed and the well is back in service.

A workover was completed during the Quarter on Oseil-6, to evaluate other potential hydrocarbon zones, as the Manusela Formation production had watered out. The zone 2178.3 – 2182.9m MD was perforated and a heavy oil (10 API gravity) with a pour point of 84 degC was recovered. The potential for commercialization of this resource is under evaluation. A shallower zone from 1138.4 – 1144.5 mMD was perforated with no hydrocarbons recovered.

Crude oil available for lifting at 31 March 2020 was 154,527 bbls.

The Gross Split terms for the SNB PSC calculate the contractor entitlement using what is termed a Progressive Component. This Progressive Component comprises various "Characteristics" as defined in the Production Sharing Contract, one of which is the crude oil price. The price used to calculate the Contractor entitlement is the ICP in the month of the lifting or the realized price of the sale. The Company is therefore only reporting gross production entitlement as the GOI entitlement will only be set at the next lifting, currently scheduled around August 2020.

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 below US\$1m.

Summary of petroleum tenements held as at 31 March 2020

	% interest	Tenement	Location
Held at end of quarter	60%	East Seram PSC	Seram Island, Indonesia
	100%	Seran Non Bula PSC	Seram Island, Indonesia
Acquired during the quarter	-	-	-
Disposed during the quarter	40%	East Seram PSC	Seram Island, Indonesia

Quarterly Report

1 January to 31 March 2020



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