

Quarterly Report

1 April to 30 June 2020



Highlights – Marine seismic set for Q4 2020 with contractor selected, Oseil 29 well increases Seram production

Lion Energy Limited (“Lion” or “Company”) reports good progress in the second quarter of 2020 despite the Covid-19 pandemic. The Company closed the 40% East Seram farmout, finalised post tender selection of a contractor to shoot marine seismic, and obtained a number of key onshore permits paving the way for the onshore program. The Company reported good production results from the Oseil oil field post the Oseil-29 development well in the Seram (Non Bula) PSC.

Highlights include:

- The farmout of 40% of the East Seram PSC to Taiwan based CPC Corporation closed in April, 2020 upon the receipt of approval from the Government of Indonesia (“GOI”) on April 13, 2020.
- Lion, with CPC Corporation, continued joint efforts in East Seram PSC securing key permits and selecting a marine seismic contractor having signed a Letter of Intent with geotechnical services company, PT Taka Hydrocarbon Indonesia. The joint venture also secured a Forestry Permit in May after various environmental approvals were obtained in Q1 2020.
- Farmout efforts are ongoing for a further 10% divestment of East Seram by the Company.
- Seram (Non-Bula) Block (“SNB”) PSC production for the quarter was approximately 3,606 bbls net to Lion before Government of Indonesia (“GOI”) entitlement.
- Cash at quarter end was US\$1.01m (excluding joint-venture cash), a decrease of US\$0.2m from the end of Q1, 2020.

Despite the Covid-19 pandemic, Lion had a productive Q2 being able to reach a number of milestones on its pathway to shooting its seismic program.

After receiving various environmental approvals in Q1, Lion obtained a key forestry approval enabling shooting seismic over key onshore forested areas.

Mr Soulsby, Lion’s chairman said that “Whilst Indonesia is sometimes criticised for process inefficiency in oil and gas, we were able to secure key environmental and forestry permits in excellent time. This reflects the impetus from SKK Migas and the regional government to get things done and solve domestic energy supply challenges.”

Mr Soulsby went further to say that “Shooting the seismic program is a key to opening up over 1 billion+ boe’s¹ of prospective resource potential (best estimate category).”

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 Refer to the Company’s ASX release on 04/03/2019 entitled [Additional high impact leads identified at East Seram PSC](#) release, Table 1 East Seram PSC Prospective Resources Summary.

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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.

Production from SNB averaged 1,826 bopd for the quarter (~40 bopd net to Lion). Gross crude oil production for the quarter was 166,194 bbl (3,606 bbl net to Lion). A crude oil lifting is tentatively scheduled during the next quarter.

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 has taken a 40% working interest under the farmout agreement signed with the Company on 25 September 2019.

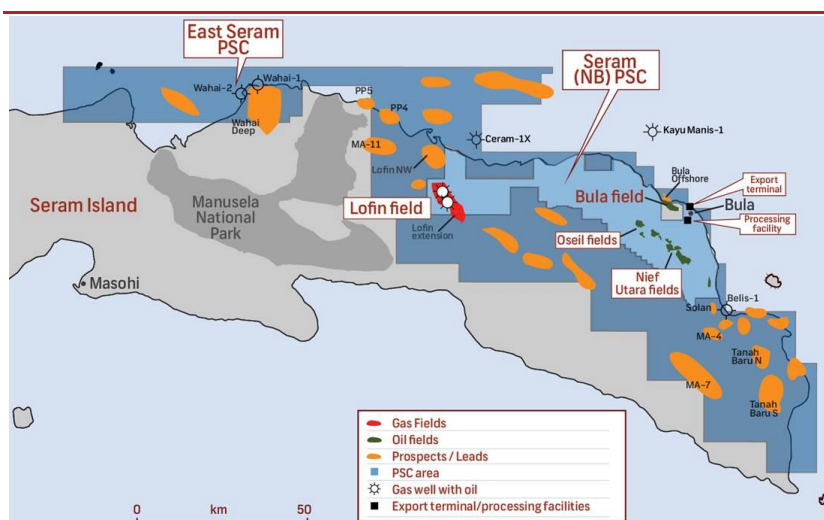
Under the terms of the farm-in, OESC have agreed to:

- 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.
- 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.

Following completion of the deal in Q2, 2020, participating interests in the East Seram PSC are;

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

East Seram PSC – location map



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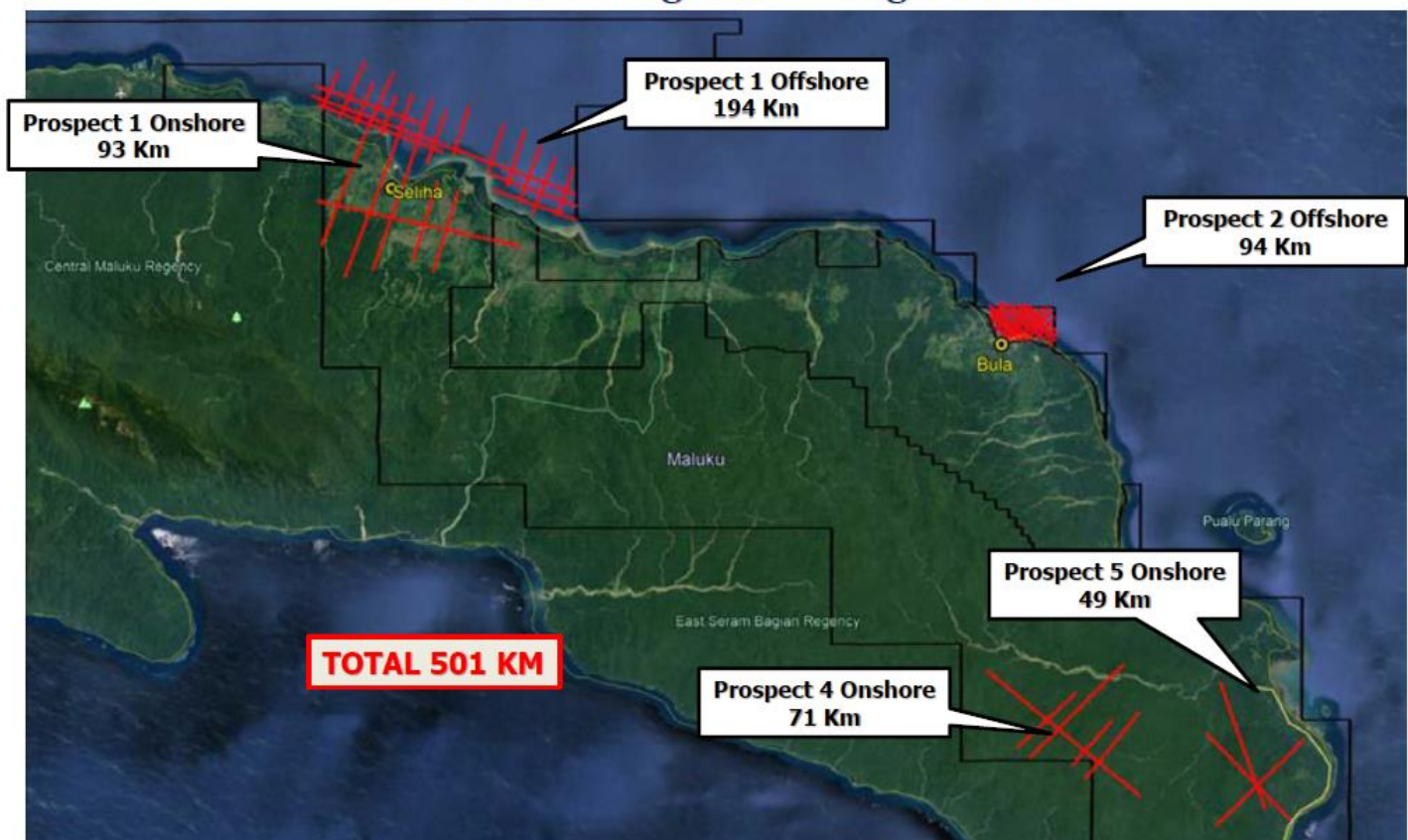
Work program update

Lion is planning to shoot seismic commencing in 2020 (local Covid-19 protocols and risk assessment permitting) 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.

Marine seismic acquisition should commence (subject to acceptable Covid-19 protocols and risks being managed) in Q4 and will target offshore prospect areas 1 and 2 (see figure below). The onshore seismic acquisition was planned for 2020, but it is now likely to commence in 2021 (Covid-19 protocols permitting). Lion has submitted a letter to the GOI outlining the implications of Covid-19 on its program commitments seeking an extension to both its first three year commitment expiry (currently July 2021) and to delay related relinquishment obligations. The letter is being processed by the GOI and we will advise shareholders when an update it available. .



Lion Energy Ltd. 2020 SERAM 2D SEISMIC ACQUISITION OPERATIONS & TECHNICAL OVERVIEW *The Entire Program ~ Google Earth*



Source: Extract of work plan and budget 2020, submitted to SKK Migas. East Seram PSC, East Indonesia (line locations and kilometers subject to final planning).

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Lion is confident this seismic program 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

As mentioned above, strong progress was made on seismic permitting post the finalization of environmental impact studies in Q1 2020. Socialisation for the Central Maluku province remains on hold due to Covid-19 concerns but our tendering process led to a Letter of Interest being signed for the marine seismic component with PT Taka Hydrocore Indonesia ("Taka"). Taka is an Indonesian geotechnical specialist to the oil and gas and mining sector. 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 Lion is working with Taka and hope to be able to undertake the marine seismic component safely and effectively. Lion will keep the market updated on plans as they evolve.

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.

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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 18,391,582 barrels since production started in January 2003 through to 30 June 2020.

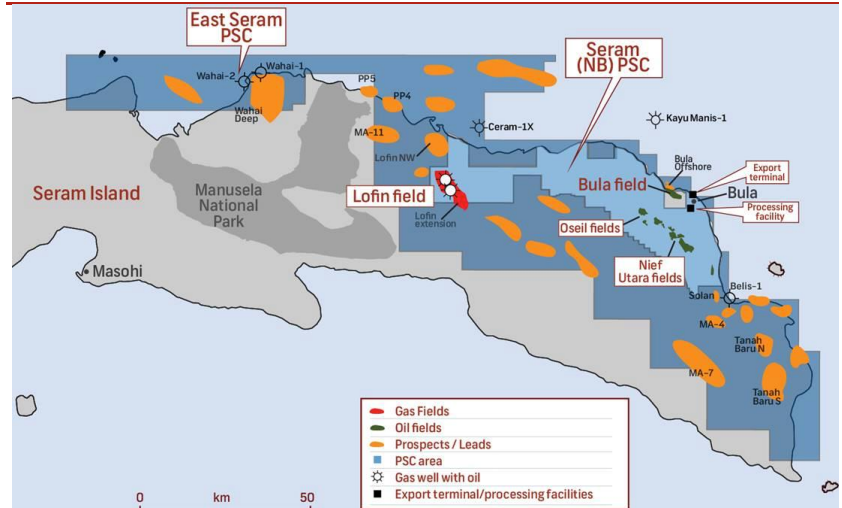
As previously reported by Lion, in 2015 the Lofin-2 appraisal well confirmed a highly material gas discovery in the SNB PSC.

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.

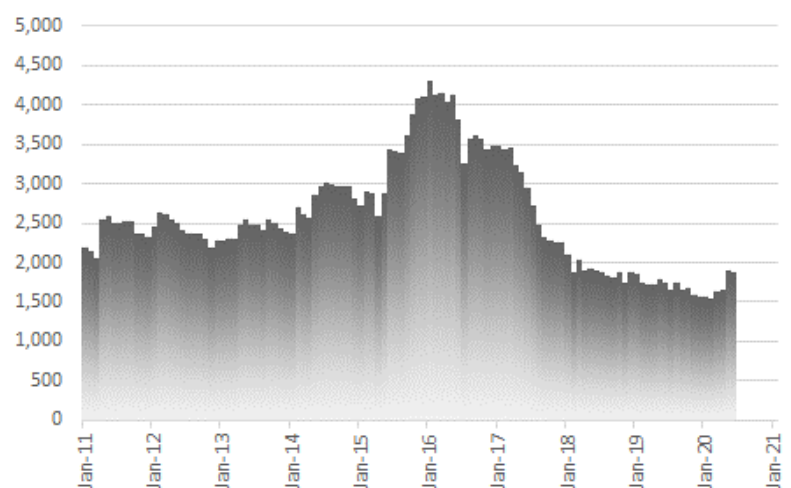
This significant milestone provides the joint venture participants:

- 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 now be likely to be carried out in Q1 2021, 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)



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- 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 up to 31 Dec 2019, 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. Oseil-29 is the first of the remaining 4 POFD wells and was completed in April 2020. At 30 June 2020, the well was producing approx. 310 bopd at a 35% water cut. The water is interpreted to likely be coming from the lower section of the well and the Operator is reviewing options to isolate potential water bearing fractures. As a result of the recent decline in global crude oil prices, the Joint Venture is currently re-assessing the commercial justification before committing to the final three 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 166,194 bbls (Lion's net share 3,606 bbls). Daily production averaged 1,826 bopd (Lion's working interest being 40 bopd). The increase from the previous quarter, which averaged 1,607 bopd, is the result of production from the Oseil-29 well. No well services were carried out in the Quarter.

Crude oil available for lifting at 30 June 2020 was 316,664 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 reporting net production entitlement that may vary slightly as a result of the GOI entitlement confirmed at the next lifting, currently scheduled in the next Quarter.

Corporate

The Company continues to maintain a focus on costs, whilst pursuing an active new business program in Indonesia, initially focussed on Seram Island. Lion expect G&A costs to track steady year on year below US\$1m.

Related Party Payments

During the quarter, the Company made payments of \$114,000 to related parties and their associates. These payments relate to the existing remuneration agreements for the Executive and Non-Executive Directors.

Summary of petroleum tenements held as at 30 June, 2020

	% interest	Tenement	Location
Held at end of quarter	60%	East Seram PSC	Seram Island, Indonesia
	2.5%	Seram Non Bula PSC	Seram Island, Indonesia

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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, 10/9/2018 and 04/03/2020). 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