



Seram PSC Operations Update

Highlights

- Highly successful Lofin-2 appraisal well suspended and rig released
- Oseil-28 development well spudded on 18 July 2015
- Oseil field production steady at circa 3430 bopd (86 bopd net to Lion) boosted by recent Oseil-27 which has stabilised flow at 740 bopd

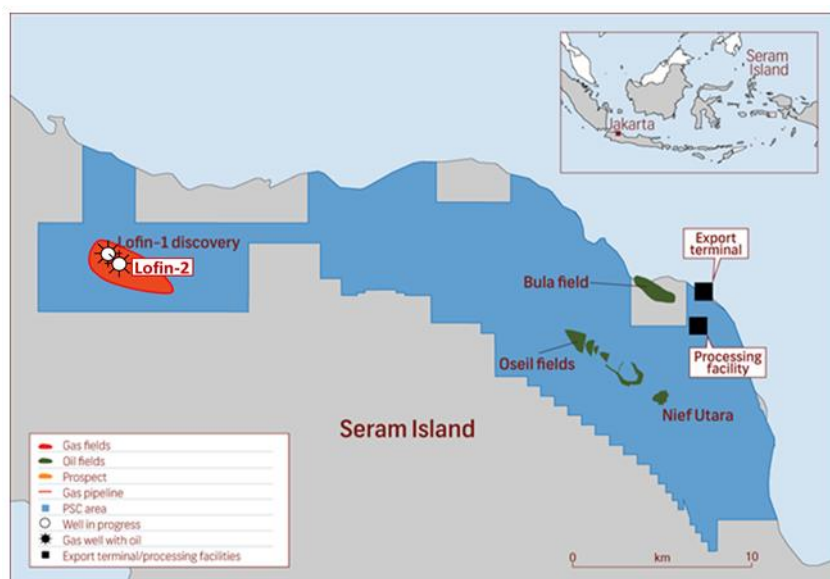
Lion Energy Ltd (ASX Code: LIO) advises that the Lofin-2 appraisal well has been suspended as a potential gas producer following a successful testing program in which the well flowed gas at approx. 17.8 mmcfpd with some water and minor condensate through a 52/64" choke.

The Lofin-2 well reached a total depth of 5861m MD, still within the fractured Manusela limestone objective. As previously reported, wireline pressure testing, combined with sampling and drill stem test data, indicates a gas column in the large Lofin structure of at least 1106m and potentially up to 1300m. Suspension operations were delayed while the joint venture Operator elected to attempt recovery of the section of the drill string which was stuck whilst pulling out of the hole after reaching total depth. The rig was released on 19 July 2015.

Lion CEO Kim Morrison that "Lofin-2 is an exciting result for Lion and we look forward to working with our co-venturers and the Government on commercialising this important discovery."

Continuing the active Oseil development program, the Oseil-28 well was spudded on 18 July 2015. This follows the completion of the successful Oseil-27 well which is now flowing at a stabilised rate of 740 bopd with no water. The Oseil-28 well is projected to produce 500 bopd and recover approximately 480 mbbbl and is economic at current oil prices. The well is located in the Oseil-2 area, the focus of the recently approved 3rd stage of field development.

Seram (Non Bula) PSC location map



Lion at a glance

- ASX listed oil and gas E&P company focused on Indonesia, with two conventional PSC's.
- An early mover in Indonesia's fledgling unconventional oil & gas industry.
- Leveraging synergies in conventional assets and access to both infrastructure and markets.
- New executive team and strategic investors with impressive track records for value creation in Indonesia.
- Well-funded to execute our business plan.

Contact

Lion Energy Limited

ABN 51 000 753 640

ASX Code: LIO

Ground Floor, 15 Rheola Street
West Perth
WA 6005, Australia

Post Box 512
West Perth Business Centre
WA 6872, Australia

Tel +61 8 9211 1500 | Fax +61 8 9211 1501

info@lionenergy.com.au

www.lionenergy.com.au

Directors & Officers

Russell Brimage	Executive Chairman
Kim Morrison	Chief Executive Officer
Stuart B Smith	Executive Director
Tom Soulsby	Non-Executive Director
Chris Newton	Non-Executive Director
Zane Lewis	Company Secretary

For more information contact

Kim Morrison

+61 404 490 964

kmorrison@lionenergy.com.au

Stuart Smith

+65 9820 3889

ssmith@lionenergy.com.au

Zane Lewis

+61 400 007 900

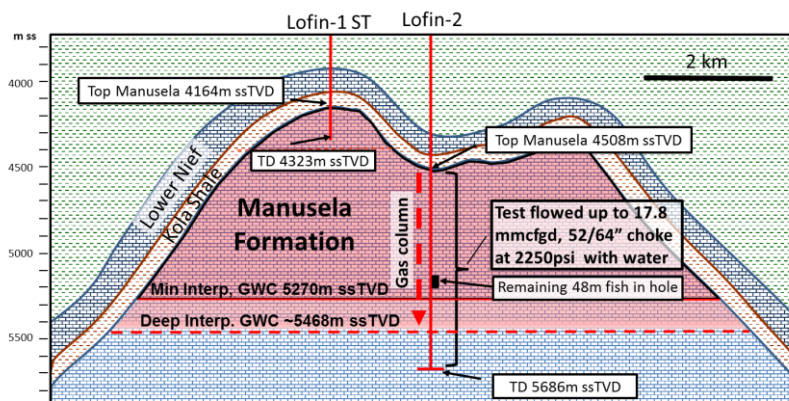
zlewis@lionenergy.com.au

Lofin-2 appraisal well

The Lofin-2 appraisal well spudded on 31 October 2014. The well was drilled to appraise the 2012 Lofin-1 discovery which flowed gas and some oil/condensate from the Manusela Formation fractured limestone. The well is operated by CITIC Seram Energy Ltd (51%) with other co-venturers being KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment Company (16.5%).

Lofin-2 intersected the primary Manusela objective at 4615m MD (4508m ssTVD), some 125m deeper than prognosed pre-drill. Wireline logging at the original programmed total depth (TD) of 5471m MD (5348m ssTVD), including pressure measurements and samples, provides strong evidence that the hydrocarbon column continued deeper within the fractured Manusela limestone section. The well was therefore drilled to a revised total depth of 5861m MD (5686m ssTVD).

Lofin structure – schematic cross-section



On pulling out of hole at this new TD the drill pipe became stuck and on attempting to pull free, the drill pipe parted with the top of the 253m stuck drill string at 5025m MD (4948m ssTVD). A number of attempts to free the stuck pipe were unsuccessful and the joint venture elected to conduct a flow test over the open-hole section of the Manusela Formation.

A successful well test commenced on 21 May 2015 and was conducted as a multi-rate test using different choke sizes to maximise reservoir information over a 7 day period. On a 52/64" choke the well flowed gas at approx. 17.8mmcfpd with approx. 2634bpd water and completion fluid and approx. 54 bpd of 34.9° API condensate/oil with a flowing wellhead pressure of 2250psi (96 hour flow period on 52/64" choke). On the smallest choke setting (16/64") the well was flowing gas at approx. 4.95 mmcfpd with approx. 12 barrels condensate/oil and approx. 280 bpd water with a flowing wellhead pressure of 5000psi (12 hour flow period on 16/64" choke).

The results indicate well flow was occurring around the stuck drill pipe and the presence of water in the test is interpreted to come from the lower part of the well coincident with a decrease in gas readings while drilling from around 5595m MD (5463m ssTVD) to total depth. It is likely the water can be isolated successfully (or not penetrated in future wells), in which case gas flow rates would be anticipated to be significantly higher than rates measured in Lofin-2. Initial analysis indicates the gas in the Lofin structure has minimal contaminants (<5%).

Following the completion of the test, the Operator, CITIC Seram Energy Ltd, acting independently, elected to proceed with further attempts to recover the stuck drill string, successfully recovering approx. 205m of the string. Further attempts to recover the remaining approx. 48m of stuck pipe at 5260m MD were unsuccessful. The program to suspend the well as a potential future gas producer was commenced and completed with rig release on 19 July 2015. The Lofin-2 results confirm a material gas discovery for the Lofin structure and evaluation of the comprehensive dataset acquired is continuing.

Well costs up to the commencement of well suspension have been approved to a value of US\$38.2 million (Lion share is ~US\$0.955 million). Lion has paid sufficient funds via cash calls to date to have fully paid its share of the well to this Joint venture approved level, including an additional amount above this that should meet the company's share of the cost to suspend the well.

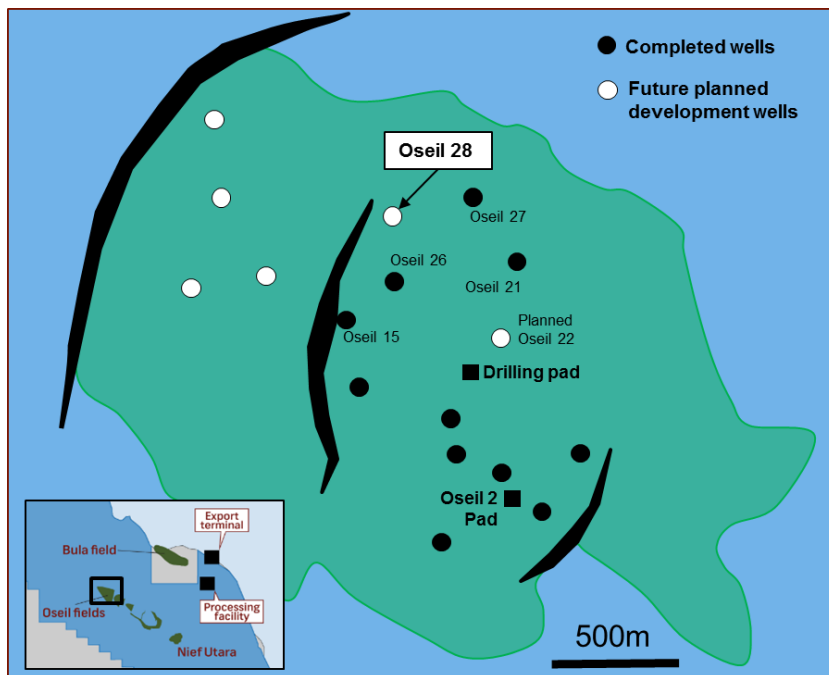
Oseil-28 well

Oseil-28 is a proposed infill development well located east of the recent successful Oseil-27 well in the Oseil-2 producing compartment. The well will be directionally drilled to target the Manusela fractured carbonate and is anticipated to take approx. 90 days (including mobilization) to complete. It is intended to recover undrained oil reserve of approximately 480,000 bbl in the northern part of the faulted 4-way dip closure of the Oseil-2 up-thrown fault block.

The well is the 5th well of the approved 10 well Phase 3 development plan. This has provided extremely positive results to date and is responsible for significantly increasing production from the Oseil field which is currently producing at approx. 3430 bopd. The Phase 3 well program, plus production from existing wells, is expected to increase production to approx. 4,500 bopd based on forecasts prepared by the Operator. Economic evaluation was carried out on a 5.5mmbbl incremental reserves case anticipated from the Phase 3 program.

Following the drilling of Oseil-28 the plan is for the rig to drill the Oseil-22 location.

Oseil-2 field area



Competent Persons Statement: Qualified Petroleum Reserves and Resources Evaluator

Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information, reserve and resource reporting provided in this document are based on and fairly represent information and supporting documentation that has been prepared and/or compiled by Mr Kim Morrison, Chief Executive Officer of Lion Energy Ltd. Mr Morrison holds a B.Sc. (Hons) in Geology and Geophysics from the University of Sydney and has more than 28 years of experience in exploration, appraisal and development of oil and gas resources –including evaluating petroleum reserves and resources. Mr Morrison is a member of the American Association of Petroleum Geologists (AAPG). Mr Morrison consents to the release of this announcement and to the inclusion of the matters based on the information in the form and context in which it appears.

Glossary

bopd: barrels oil per day
MD: measured depth
mbbl: thousand barrels
mmscfd: million standard cubic feet of gas per day

PSC: Production Sharing Contract
TD: total depth
TVDKB: total vertical depth referenced to the drill floor
ssTVD: total vertical depth referenced to sea level

ENDS