Quarterly Report

1 April to 30 June 2015

Good progress across the business

Highlights

- **Successful Oseil-27 development well boosts production to 2984 bopd (75 bopd net to Lion), a 4.5% increase on the previous quarter**
- **Lofin-2 appraisal well confirms material gas discovery**
- **Unconventional joint studies underway within the prolific North and Central Sumatra Basins**
- **Active new business program in opportunity rich environment**

Lion saw solid progress in all facets of its business in the June 2015 quarter: increased production from development drilling; exploration/appraisal success; and building the portfolio of future opportunities.

Seram PSC production increased to 2984 bopd (75 bopd net to Lion) for the quarter, up from 2856 bopd the previous quarter, with successful drilling and completion of Oseil-27 well with steady production at 740 bopd. Gross crude oil production was 271,544 barrels (6789 bbl net to Lion). Revenue of US$464,500 was received from a lifting in May 2015 of 340,015 barrels of crude oil. The exit rate for the quarter of 3440 bopd bodes well for the current quarter production.

A material gas discovery for Lion was confirmed with a successful testing program of the Lofin-2 appraisal well, which flowed gas at approx. 17.8 mmscfd with some water and minor condensate through a 52/64" choke. 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.

Good progress has been made on the unconventional joint studies and formal approval was received from the Indonesian regulator to extend the South Block A PSC to end 2016.

Lion's CEO, Kim Morrison noted "The testing of the large gas column in Lofin-2 was a highlight in the quarter. We are also pleased with the results of Oseil-27 which has lifted our production to 3440 bopd as at quarter end and we look forward to further growth with ongoing development drilling. While the low oil price environment puts challenges on our business, we are keeping a tight rein on costs while proactively looking at attractive counter-cyclical opportunities."

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.

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Operations update (4Q-FY15)

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 major equity holder and operator of the joint venture is CITIC Seram Energy Ltd (51%). Other partners are KUFPEC (Indonesia) Ltd (30%) and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield and surrounding structures that have yielded cumulative crude oil production of 13,620,663 barrels since production started in January 2003 through to 30 June 2015.

The PSC expires in 2019 and the joint venture is currently in discussions on strategy for the extension or new PSC over the area.

Production and revenue

During the quarter the daily production rate from the Oseil and surrounding oilfields averaged 2984 bopd (Lion's net working interest being 75 bopd, before government share).

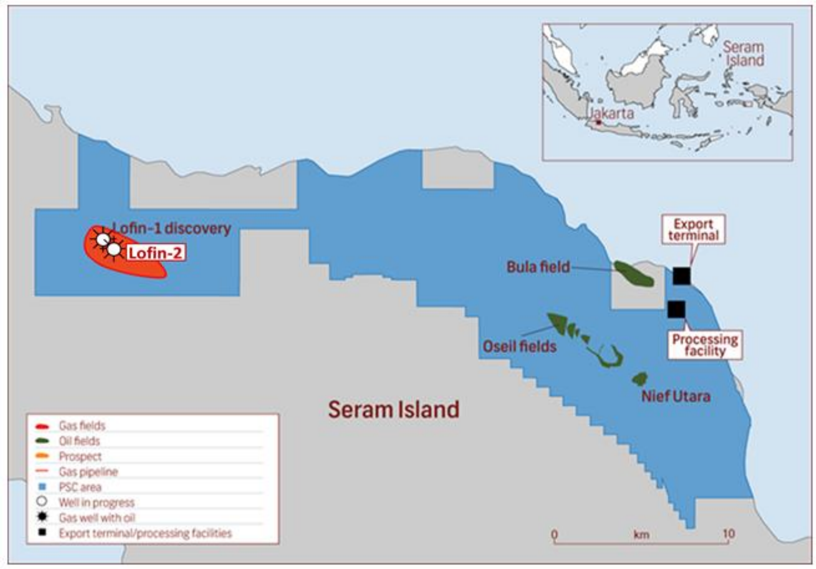
Lion has revised its projections for the 2015 calendar year to 2900 bopd average, above the forecast of 2500 bopd average used in the 2014 calendar year.

The steady uptrend in production has been maintained into 2015 and a positive result from the development well drilling at Oseil-27 has lifted field daily production to approx. 3440 bopd at quarter end, with the contribution from Oseil-27 stable at 740 bopd.

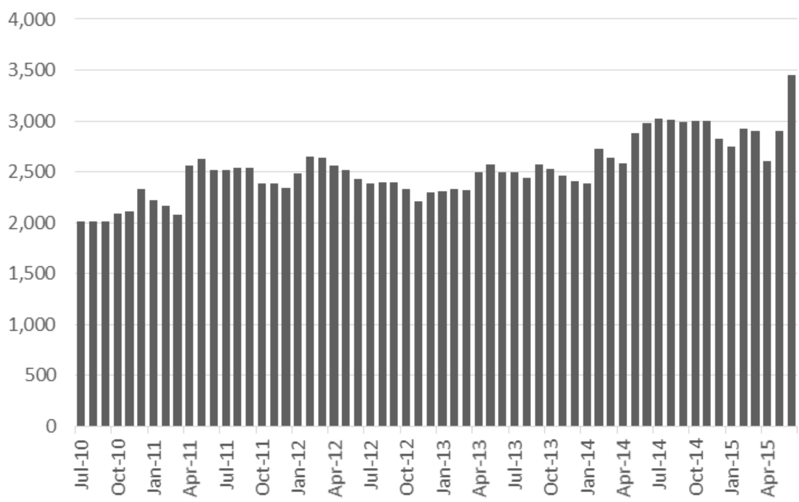
Crude oil available for lifting at 30 June was 192,950bbl. A lifting of approximately 350,000 bbl is scheduled for mid-August 2015, with receipt of funds net to Lion approximately 35 days thereafter.

During the quarter Lion received a US$181,236 settlement in respect of an insurance claim on Lofin-1 drilling.

Seram (Non Bula) Block PSC - Location Map



Seram (Non Bula) Block - Daily Production per Calendar Month (bopd)



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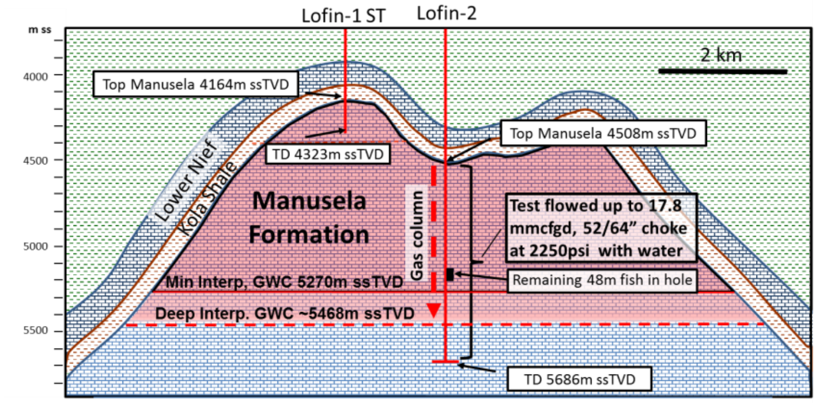
Expenditures

Seram (Non Bula) PSC	Exploration	Development	Production
	US$	US$	US$
Expenditure net to Lion (2Q-CY15)[1]	127,309[2]	265,028	179,491
Note 1 – The expenditures herein are Seram PSC results and may differ from Lion's financial reporting due to timing differences Note 2 – Exploration expenditure for the quarter is net of $181,236 insurance recovery, pursuant to JV accounting policy			

Lofin-2 appraisal well

Lofin structure – schematic cross-section



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 TD depth of 5861m MD (5686m ssTVD).

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. 17.8mmscfd 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 mmscfd 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 TD. 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 being ~US$0.955 million). Lion has paid sufficient funds via cash calls to date to cover its share of the approved budget and any additional amount required to suspend the well.

Oseil Oil Field

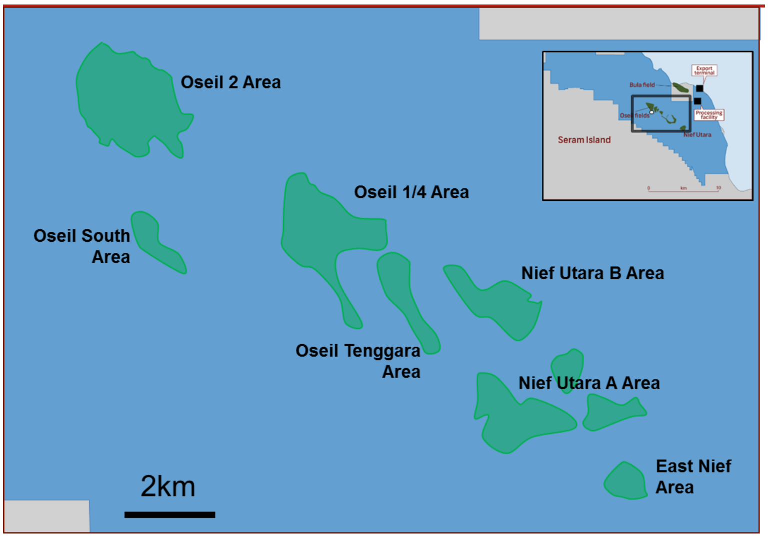
Phase 3 Development

The Seram joint venture has secured all external approvals for a third phase of development drilling on the Oseil Field (referred to by the regulators as a Plan of Further Development or POFD), with up to 10 wells within the Oseil-2 field. The Phase 3 development plan includes the drilling of up to 10 additional horizontal wells, four of which have already been drilled under a negotiated arrangement with the regulatory body prior to approval of Phase 3. The Phase 3 POFD was formally approved by the Indonesian regulatory body, SKK Migas, on 5 May 2015.

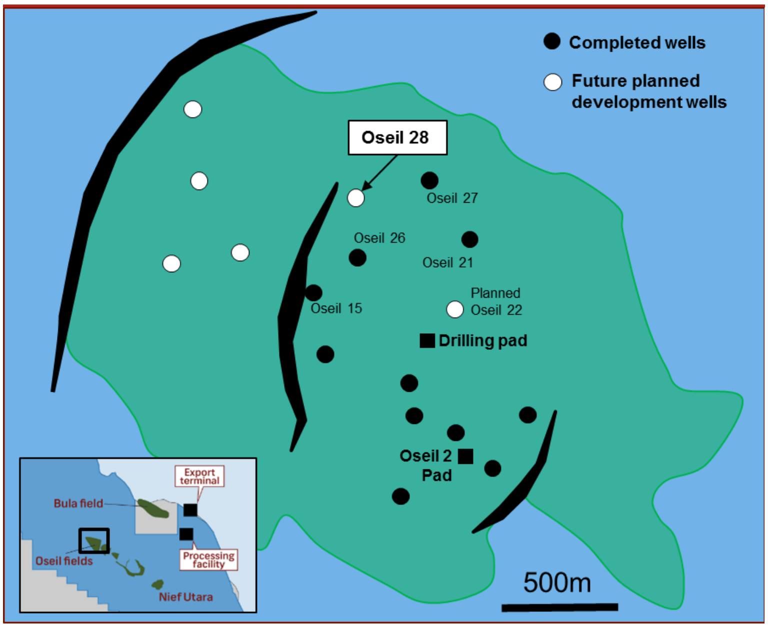
The estimated total cost of the remaining six Phase 3 wells and related facilities is US$67.97mil (US$1.7mil net to Lion). Reserves to be addressed by each of the six wells is around 0.4 - 0.6 million bbls. It is expected that the operator will stage the drilling program such that these capital costs can be financed by the free cash flow from the existing production from the field. The drilling of all six remaining wells will be subject to positive outcomes of the earlier wells in the program.

The recently completed Oseil-27 development well was the fourth well in the POFD.

Oseil field overview



Oseil-2 field area



Oseil-28 Development Well

Oseil-28, the next well in the POFD after Oseil-27, spudded on 18 July 2015. 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 fifth well of the approved 10 well POFD. 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. 3440 bopd. The POFD Phase 3 program, plus production from existing wells, is expected to increase production to approx. 4500 bopd based on forecasts prepared by the Operator. Economic evaluation supporting the POFD was carried out on a 5.5mmbbl incremental reserves basis.

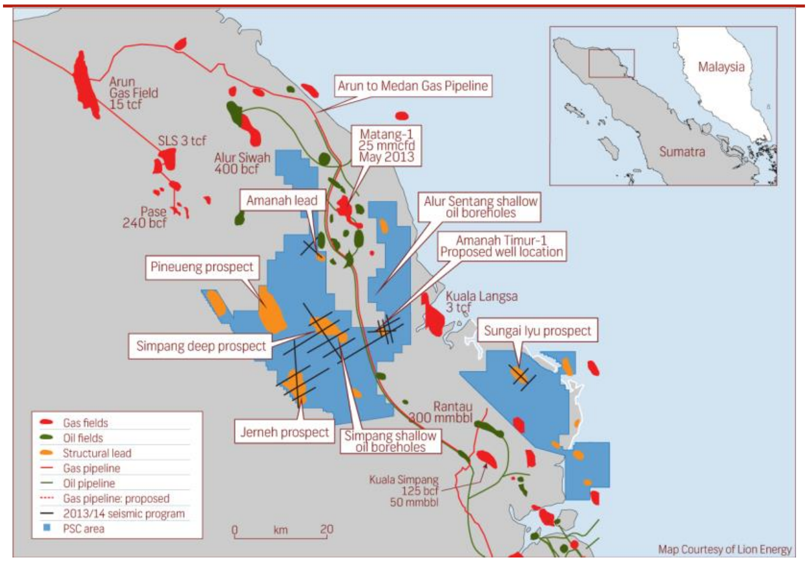
South Block A PSC

Lion has a 35% interest in the South Block A PSC with other participants being RENCO Elang Energy Pte Ltd (51% interest and Operator) and PT Prosys Oil & Gas International (14%).

The underexplored block is centrally located in the prolific North Sumatra Basin and contains large structures with attractive gas and oil plays. The region has a strong demand and high priced gas market and a new open access pipeline connected to Medan extends through the Lion acreage.

Work progressed during the quarter on well planning resulting in a significant decrease in the estimate of the cost to drill the high impact Jerneh Prospect in the west of the block. This is now anticipated to cost approximately US$6.5mil on a dry hole basis, considerably less than US$10mil plus previously estimated. This is a function of reduced access road costs, lower cost environment and more efficient well design. The Peutu limestone and Belumai sandstone, which are major reservoirs in the basin, are the primary objectives.

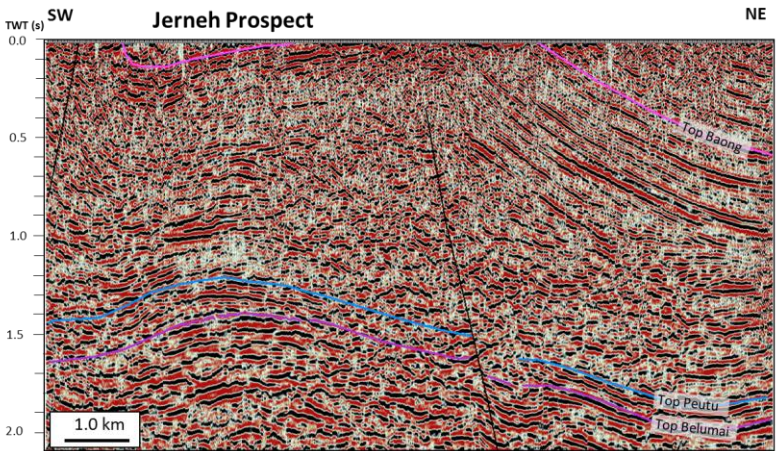
South Block A PSC – location map



Jerneh Prospect	Prospective resources[1]		
	P90	P50	P10
Gas (bcf)	64	223	760
Condensate (mmbbl)	1.5	6.3	17.6
Combined (mmboe)	12.1	42.5	144.3
Volumes for Peutu and Belumai objectives			

[1]***Prospective resources:*** *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.*

Jerneh Prospect – seismic section



Exploration Drilling

The joint venture is currently assessing the merits of drilling shallow, low risk oil prospect (Amanah Timur-1 on the Paya Bili Prospect) versus the higher impact of drilling the Jerneh prospect.

Extension of term

Formal Indonesian Government approval was received on 6 May 2015 for the extension of the exploration period to 4 December 2016. During this time the joint venture is required to drill a commitment well.

Expenditures

Cash calls paid during the quarter totalled $82,617 net to Lion.

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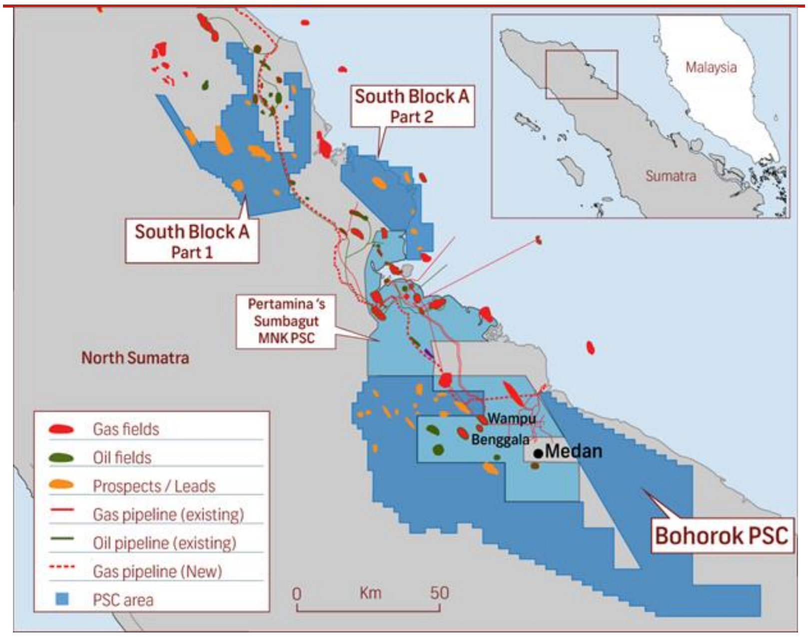
North Sumatra Unconventional Joint Study

The unconventional joint study covering 4684km^2 was awarded on 20 February 2015. The Lion joint study area is located to the south of South Block A PSC in which Lion holds a 35% interest and is in close proximity to the first unconventional PSC in Indonesia awarded to Pertamina in 2013 (Sumbagut MNK PSC).

Bohorok PSC and South Block A PSC– location map



Lion holds a 55% interest and is Operator of the joint study with the partly overlapping conventional PSC holders (Bukit, New Zealand Oil and Gas and SBL) having 45% interest. The cooperation with conventional holders will allow the joint venture to capture significant synergies between conventional and unconventional exploration

The North Sumatra Basin is one of the major onshore basins in the SE Asian region with over 25 tcf of gas and over 1.3 billion barrels of oil and condensate discovered. Lion's evaluation recognises that key elements are in place for prospective unconventional (shale gas/oil and tight gas/oil) acreage.

Good progress was made on the joint study during the quarter. The study is being jointly undertaken with Padjadjaran University in Bandung. A geological field trip to the area commenced in late June.

Interest holders in the Bohorok unconventional joint study application are as follows:

Unconventional Joint Study	Interest %
Lion Energy (Operator)	55.00
Bukit Energy	20.25
New Zealand Oil & Gas	20.25
Surya Buana Lestarijaya	4.50

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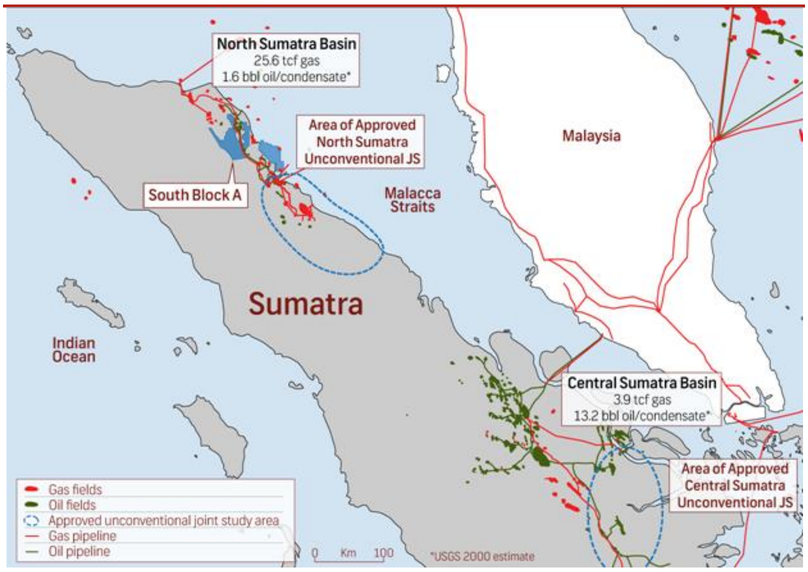
Central Sumatra Unconventional Joint Study Area

An unconventional joint study, covering 2481km^2, located in the east of the Central Sumatra Basin covering part of the Bengkalis Graben was awarded on 20 February 2015.

Lion has a 75% interest in this joint study. The conventional rights holders in the area of the joint study have an option to maintain a 25% interest in the resultant PSC, if awarded, by paying 25% of the joint study costs at completion of the study. Lion in return will evaluate the conventional potential of the area with the opportunity to review an interest if technically warranted. This cooperation between conventional and unconventional rights holders is a key to Lion's strategy to capture significant synergies in exploration and appraisal of the region.

North and Central Sumatra – Joint Study Areas Location Map



The Central Sumatra Basin is a world class petroleum province with over 13 billion barrels of oil discovered. The Bengkalis Graben, located in the east of the basin, is one of a number of prolific depo-centres within the province. It hosts major discoveries which provides encouragement for the unconventional potential (shale gas/oil and tight gas/oil). Evaluation by Lion indicates the prospective source rocks in the area are at a suitable maturity and depositional setting to be highly attractive unconventional targets.

The joint study is being conducted with the Institute of Technology Bandung with seismic interpretation and geological studies undertaken during the quarter.

Central Sumatra unconventional joint study interest holders

Unconventional Joint Study	Interest %
Lion Energy	75.00
Conventional PSC rights holder	25.00

Unconventional Joint Study Applications

In addition to the two approved joint studies, Lion has submitted two additional Joint Study Applications for potential oil and gas unconventional areas in onshore Indonesia covering a total area of about 10,000km^2. Lion's initial technical assessment has identified potential for multi-tcf scale gas and multi-hundred million barrels of oil in the areas of the applications.

Progress continued during the quarter with ongoing engagement with the Indonesian regulators and other rights holders in the area.

Additional details on each of Lion's unconventional projects can be found on the company's website (www.lionenergy.com.au) and in the prospectus lodged with the ASX on 6 November 2013.

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List of tenements

Tenement or licence area	Lion's beneficial interest	Change during the quarter	Comments
Indonesia			
Seram (Non-Bula) Production Sharing Contract	2.5%	No change	Interest held through Lion wholly owned subsidiary Lion International Investment Ltd.
South Block A Production Sharing Contract	35.0%	No change	Interest held through Lion wholly owned subsidiary KRX Energy Pte Ltd (KRX).

Corporate

Change of year end

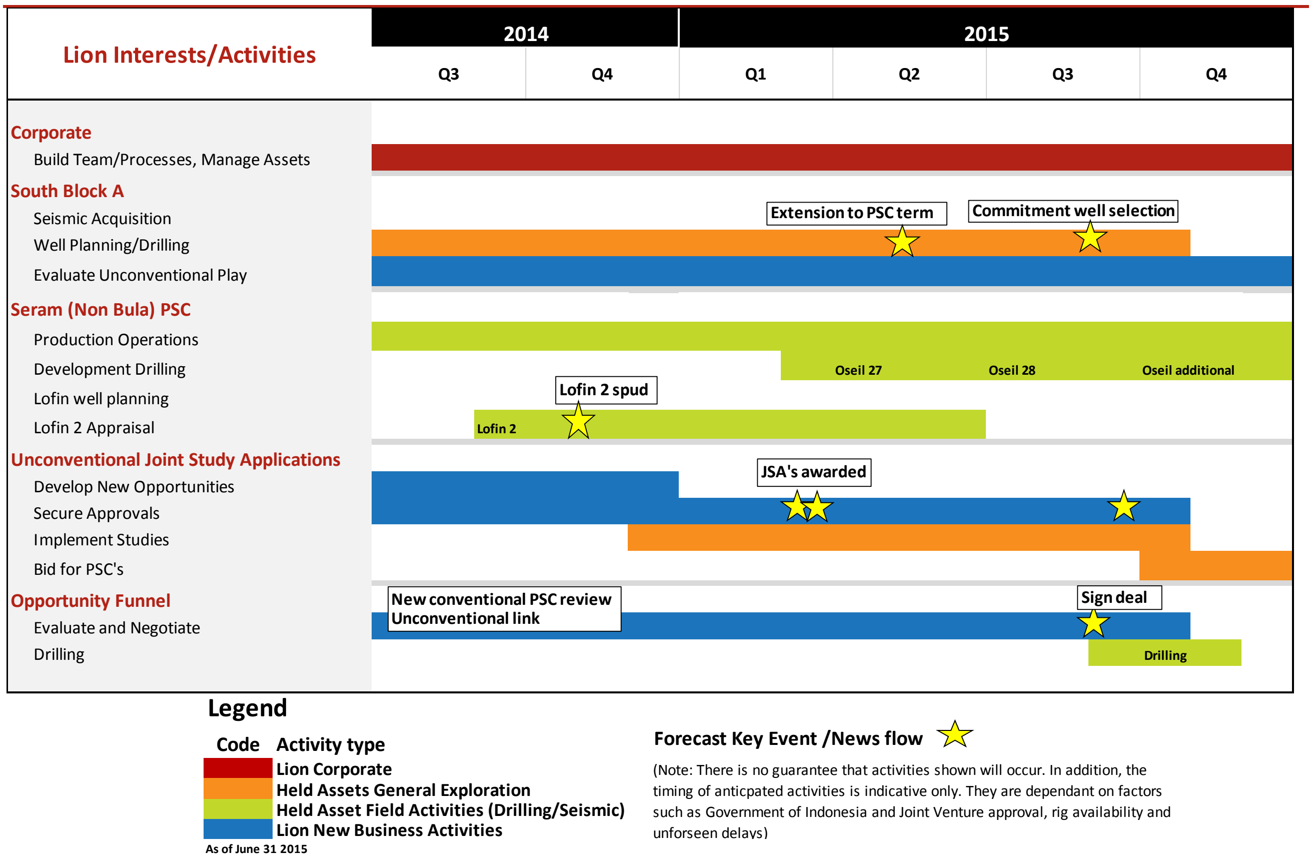
On 4 June 2015, the company announced that it plans to change its financial year end from June to December. In addition to bringing the company into line with its major shareholder Risco, a December year end is consistent with industry practice and with the year-ends of its joint ventures.

Activity schedule

Lion has an active new business evaluation program and is currently reviewing a number of interesting opportunities in Indonesia.

Our 2015 exploration schedule is depicted in the following chart:

Activity and key event timeline (3Q-2014 to end-2015)



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

bbl: barrels
bcf: billion cubic feet
bopd: barrels oil per day
BOP: blow out preventer
FTP: first tranche petroleum
mmscfgd: million standard cubic feet of gas per day
mmbbl: million barrels
MD: measured depth
PSC: Production Sharing Contract
psi: pounds per square inch feet
tcf: trillion cubic
ss TVD: sub-sea true vertical depth
TD: total depth

END