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Australian Stock Exchange Limited  
Company Announcements Platform  
20 Bridge Street  
SYDNEY NSW 2000

## **LION ENERGY LIMITED ("LION")**

### **GENERAL ACTIVITY & OPERATIONS UPDATE**

- Crude oil production from the Seram (Non Bula) Block PSC was 213,497 barrels of crude oil at a daily average of 6,887 BOPD for July 2006 with water cut at 55%, (compared to 178,277 barrels of crude oil at a daily rate of 5,942 BOPD with water cut at 60% for the month of June 2006).
- On August 18<sup>th</sup> 2006, a load out of 369,959 barrels of HSFO (High Sulphur Fuel Oil) was completed.
- Water cut in Oseil-10 well increased from effectively 0% to 50% on July 29<sup>th</sup> indicating water break through. Oil production is therefore forecast to decline with incremental water cut in August 2006.
- As reported in the Quarterly Activities Report for the quarter ended June 30<sup>th</sup> 2006, the Phase 2 development drilling program has completed and the demobilization of contractor's equipment is now completed.

### **SERAM (NON-BULA) PSC**

(2.5% contractor interest held through wholly owned subsidiary Lion Petroleum Seram Limited)

LION ENERGY LIMITED, through its wholly owned subsidiary Lion Petroleum Seram Limited, holds a 2.5% shareholding in the Seram (Non Bula) Block Production Sharing Contract. The major shareholder and Operator of the Joint Venture, is KUFPEC (Indonesia) Limited with 97.5%.

The block contains the Oseil oilfield, which has produced in excess of 4.3 million barrels of crude oil since initial field start-up in January 2003 (cumulative crude oil production to midnight 31<sup>st</sup> July 2006 was 4,300,144 barrels..

### **SALE UPDATE**

In the Quarterly Activities Report for the quarter ended June 30<sup>th</sup> 2006, the Company reported that:

- On July 13<sup>th</sup> 2006, CITIC Resources Holdings Ltd (CITIC), a company trading on the Hong Kong Exchange (Code 1205) disclosed the acquisition of a 51% participating interest in the Seram (Non Bula) Block Production Sharing Agreement through its indirect wholly owned subsidiary CITIC Seram, for a purchase price of US\$97.4 million, subject to adjustment.

- On July 22<sup>nd</sup> 2006, Gulf Petroleum Investment (GPI) announced that on July 20<sup>th</sup> 2006 GPI executed an agreement with KUFPEC to acquire 16.5% of that company's interest (of 97.5%) in the Seram (Non Bula) Block Production Sharing Contract in Eastern Indonesia, for a consideration of US\$44.5 million.

Neither transaction has completed as of the date of this report. Both await Indonesian government approval.

Lion Energy Limited has had discussions with CITIC re that company's future plans in the Seram (Non Bula) Block joint venture.

KUFPEC and CITIC have advised the Company that CITIC will present to the joint venture in September 2006, the proposed program and budget for the 2007 calendar year (2007 WP&B). The proposed 2007 WP&B will be subject to government approval.

LION will review this presentation and determine whether to remain a joint venture partner or seek potential purchasers for the interest.

#### **ACQUISITION OF SHARES IN GULFX LTD**

The Company has acquired a 5.54% interest in GulfX Ltd through on-market purchases. GulfX has an interest in several leases in the Gulf of Mexico which the directors believe are extremely prospective.

#### **Correcting Notice**

On each of 14 March 2006, 11 May 2006 and 22 May 2006, the Company lodged an Appendix 3B notice with the Australian Stock Exchange Limited ("ASX") that purported to include a secondary trading notice under sub-section 708A(5)(e) of the Corporations Act 2001 ("Act").

The Company has now realised that it was not entitled to issue a secondary trading notice on any of the 3 dates because it did not meet one of the requirements for the giving of such a notice. On each of 14 March 2006, 11 May 2006 and 22 May 2006, the Company's shares had been suspended from trading on the ASX for more than a total of 5 days in the previous 12 months, contrary to the requirement of sub-section 708A(5)(b). The Company notes that the 3 secondary trading notices otherwise complied with the requirements of the Act.

The Company gives this correcting notice in accordance with the requirements of sub-section 708A(9) of the Act.

Sincerely

Russell E Brimage  
CHAIRMAN  
LION ENERGY LTD