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

Via electronic lodgement

**GRANT OF PUT OPTION BY CITIC SERAM TO ACQUIRE 2.5%
PARTICIPATING INTEREST IN SERAM ISLAND NON-BULA BLOCK,
INDONESIA**

Lion Petroleum Seram Limited (LPSL), a wholly owned subsidiary of Lion Energy Limited, is a 2.5% shareholder (the "LPSL Participating Interest") in the Seram (Non Bula) Block Production Sharing Agreement (SNBB).

On 13th July 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 SNBB for a consideration of US\$97.4 million, subject to adjustment, through subsidiary CITIC SERAM ENERGY LIMITED, a company incorporated in the British Virgin Islands, ("CITIC Seram"), from Kufpec (Indonesia) Limited ("KUFPEC").

CITIC Seram has agreed to grant to LPSL a Put Option, pursuant to which LPSL has the right (but not the obligation) to sell to, and require CITIC Seram to acquire, the LPSL Participating Interest from LPSL for a consideration of US\$4,774,510, subject to adjustment.

Lion Energy Limited management has pursued the Put Option with CITIC because of the uncertainty associated with the future direction of exploration and development of the SNBB under the majority participating interest and operatorship of CITIC Seram when the assignment of operatorship and participating interest is completed between CITIC Seram and KUFPEC. The Put Option allows LPSL time to consider CITIC Seram's plans for the SNBB.

Further details of the Put Option Agreement:

Parties to Put Option Agreement

- (1) LPSL
- (2) CITIC Seram

Expiry Date

Three (3) months from the Operating Committee Meeting date of 2nd November 2006.

Reason for Grant of the Put Option

The acquisition of the Participating Interest by CITIC Seram and the change in the Operator from KUFPEC to CITIC Seram pursuant to the Sale and Purchase Agreement required the approval of LPSL. As a condition of the grant of LPSL's approval, LPSL required an option to sell the LPSL Participating Interest and, in order to obtain LPSL's approval necessary for the sale and assignment of the Participating Interest and change in Operator from KUFPEC to CITIC Seram, CITIC Seram agreed to grant the Put Option to LPSL.

Exercise Period

The Put Option may be exercised by LPSL at any time during the Exercise Period. If the Put Option is exercised by LPSL during the Exercise Period, CITIC Seram shall acquire the LPSL Participating Interest with effect from the Exercise Date.

If the Put Option is not exercised by LPSL during the Exercise Period, the Put Option shall lapse on the expiry of the Exercise Period.

Purchase Price

The purchase price payable by CITIC Seram to LPSL on an exercise of the Put Option is US\$4,774,510, subject to adjustment and shall be paid by CITIC Seram to LPSL in cash at completion of the exercise of the Put Option (the "Put Option Completion").

The purchase price has been determined on a pro rata basis by reference to the purchase price payable by CITIC Seram to KUFPEC in respect of the Participating Interest. As CITIC Seram will, on an exercise of the Put Option, acquire the LPSL Participating Interest with effect from the Exercise Date, all income and other benefits that have been received, and all costs and expenses that have been incurred, by LPSL in respect of the LPSL Participating Interest during the period from the Exercise Date to the date of the Put Option Completion shall (as the case may be) belong to or be borne by CITIC Seram. The purchase price payable by CITIC Seram to LPSL will be adjusted following the Put Option Completion by deducting income payable by LPSL to CITIC Seram and adding any costs that should be reimbursed by CITIC Seram to LPSL.

Conditions Precedent

The Put Option Completion is conditional upon the satisfaction of the following conditions precedent:

- (A) if applicable, the obtaining of the required approvals of the shareholders of Lion Energy Limited in accordance with the requirements of Chapter 11 of the ASX Listing Rules, which shall be obtained at a general meeting of shareholders of Lion Energy Limited held within 60 days from the Exercise Date, or such extended period as agreed by LPSL and CITIC Seram;
- (B) receipt of all consents and approvals (if required under Indonesian law) by CITIC Seram, in the form of a letter, of the Government of Indonesia and/or BPMIGAS with respect to the sale and assignment of the LPSL Participating Interest from LPSL to CITIC Seram;
- (C) approval (in form and substance satisfactory to CITIC Seram, acting reasonably) by KUFPEC as required under Clause 13.2 of the Joint Operating Agreement of the sale and assignment of the LPSL Participating Interest from LPSL to CITIC Seram (as evidenced by the execution by KUFPEC of the deed of assignment relating to the sale and assignment of the LPSL Participating Interest by LPSL to CITIC Seram); and
- (D) if completion of the GPI Sale Agreement occurs before the Option Completion Date, approval (in form and substance satisfactory to CITIC Seram, acting reasonably) by GPI as required under Clause 13.2 of the Joint Operating Agreement of the sale and assignment of the LPSL Participating Interest from LPSL to CITIC Seram (as evidenced by the execution by GPI of the deed of assignment relating to the sale and assignment of the LPSL Participating Interest by LPSL to CITIC Seram).

In the event any of the conditions precedent set out above is not satisfied by the Put Option Long Stop Date, either LPSL or CITIC Seram may give notice to the other terminating the exercise of the Put Option unless it has failed to perform or observe in any material respect its covenants and agreements under the Put Option Agreement so as to cause Completion to fail to occur.

Russell Brimage
CHIEF EXECUTIVE OFFICER