



GROUND FLOOR, CANUTE HOUSE  
15 RHEOLA STREET  
WEST PERTH, WESTERN AUSTRALIA 6005  
TELEPHONE: +618 9213 4300  
FACSIMILE: +618 9213 4311  
ABN 51 000 753 640

12th November 2007

Company Announcements  
Australian Stock Exchange Limited

## LION ENERGY LIMITED (“LION”)

### GULF OF MEXICO

On November 9<sup>th</sup> 2007 (the Sale Date), the Company completed the sale of its subsidiary, Lion Energy Limited LLC to Sterling Grant Ltd., a Wyoming limited liability company.

Lion Energy Limited LLC was a wholly owned subsidiary of Lion Energy Limited USA, Inc., itself a wholly owned subsidiary of Lion Energy Limited.

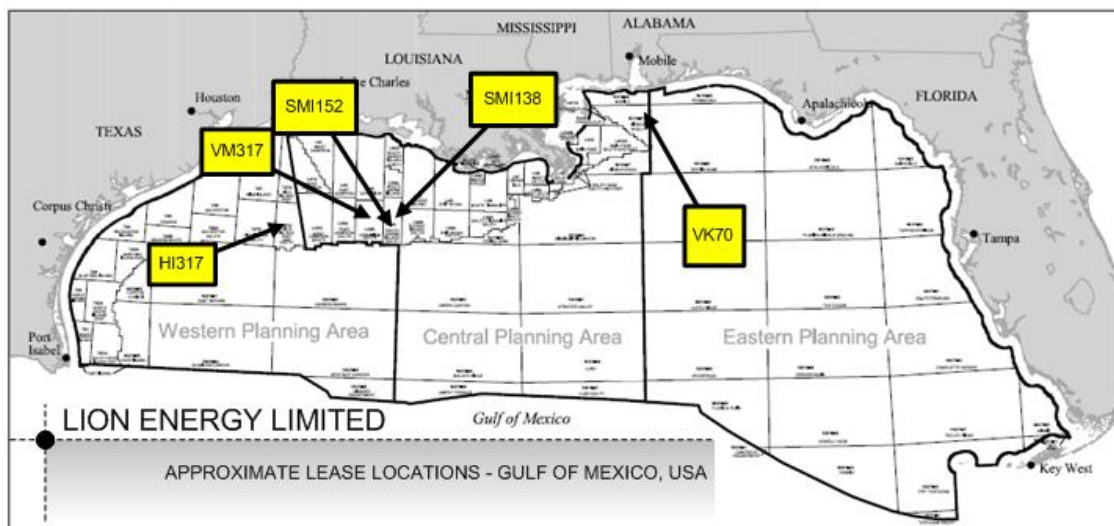
Lion Energy Limited LLC executed a certain Participation Agreement, dated September 18<sup>th</sup> 2006 with Ridgelake Energy, Inc.

Under the terms of the Participation Agreement, Lion Energy Limited LLC acquired the right to earn an undivided thirty percent (30%) interest in the following oil and gas leases in the Outer Continental Shelf Area of the Gulf of Mexico (collectively the Leases):

<b>OCS No.:</b>	<b>Map No.:</b>	<b>Area Name:</b>	<b>Block:</b>
1. OCS-G 26190	NH 16-07	Viosca Knoll	79
2. OCS-G 26560	TX7C	High Island Area East Addition South Extension	A 307
3. OCS-G 27078	LA3B	Vermilion Area South Addition	317
4. OCS-G 27089	LA3C	South Marsh Island South Addition	138
5. OCS-G 27091	LA3C	South Marsh Island South Addition	152

The Leases are subject to a 16⅔% Federal royalty and between a 3⅓% to 4% royalty in favour of certain third parties who generated the properties.

To earn its interest in the leases, Lion Energy Limited LLC reimbursed Ridgelake up to 40% of certain past costs (Sunk Costs), and thereafter must meet up to 40% of the costs of drilling to casing election point and in the case of OCS-G 27089 and OCS-G 27091, meet certain additional costs.



Lion Energy Limited LLC had not completed the earn of any of the Leases at the Sale Date.

The only drilling activity on the Leases was the drilling of exploration well South Marsh Island Block 138 #1 on lease OCS-G 27089 which spudded 6th January 2007 and reached total depth of 3,628 metres (11,903 feet) on 7th February 2007. The well failed to encounter commercial hydrocarbons and was plugged and abandoned.

No drilling activity was carried out on any of the other leases from the time of execution of the Participation Agreement to the Sale Date.

In the 4<sup>th</sup> quarter of the 2006 – 07 financial year the directors of Lion Energy Limited elected not to participate in an exploration well proposed by Ridgelake on lease OCS-G 26190 (Viosca Knoll 79), after reviewing risk profile and potential return.

The current Directors of Lion Energy Limited are of the opinion that the Gulf of Mexico interests represent high cost, high risk exploration.

Management was therefore instructed to pursue the divestment or farmout of the Leases with expediency, whilst the interests remain in good standing and to minimize future outgoings.

Under the terms of the Purchase and Sale Agreement executed between Lion Energy Limited USA, Inc. and Sterling Grant Ltd., Lion Energy Limited USA, Inc. will receive 50% of the proceeds (attributable to Sterling Grant Ltd.) from the sale or other disposition of oil, gas or other hydrocarbons produced from or otherwise allocable to the Leases, after deduction of any royalties and other burdens on production there from, until the Sunk Costs plus interest calculated on the Sunk Costs to 31<sup>st</sup> October 2007, are fully recovered. Net proceeds from a lease shall be applied to the Sunk Costs plus interest with respect to such lease until such payments equal the Sunk Cost plus interest for such Lease.

The directors consider this to be the most effective method to retain the potential to recover Sunk Costs paid by the company, without exposing Lion Energy Limited USA, Inc. to any further financial commitment and risk associated with exploration drilling on the Leases.

Consequent on the disposal of these assets, Lion will write off approximately US\$1,277,000 in capitalized costs.

Lion Energy Limited retains its interest in the Seram (Non Bula) Block Production Sharing Contract (via wholly owned subsidiary Lion Petroleum Seram Limited. The block contains the Oseil oilfield which has produced since initial field start-up in January 2003, cumulative crude oil production of in excess of 6 million barrels of crude oil and currently produces approximately 4,000 BOPD.

**ENQUIRIES:**

Russell E Brimage  
Telephone: +61 8 9213 4300  
Email: [info@lionenergy.com.au](mailto:info@lionenergy.com.au)