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Australian Stock Exchange Limited  
Company Announcements Platform  
20 Bridge Street  
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## **COMPANY UPDATE**

Lion Petroleum Seram Limited (LPSL), a wholly owned subsidiary of Lion Energy Limited, is a 2.5% shareholder in the Seram (Non Bula) Block Production Sharing Contract (SNBB). The major shareholder, and Operator of the Joint Venture, is KUFPEC (Indonesia) Limited with 97.5%.

### **Dawang & Solan Shallow Drilling Prospects**

Further to the ASX release of April 10<sup>th</sup> 2006, the company advises that following its presentation to the joint venture Operating Committee on March 23<sup>rd</sup> 2006, it has been advised that the Operator prefers not to undertake the drilling of these wells in 2006 and in the event that Lion wish to still proceed, then the operator will participate at its equity level of 97.5%.

This is not a satisfactory position for Lion Energy Ltd, as a 2.5% equity participation for LPSL in the drilling (and development in the event of a discovery) of these relatively small prospects is not commercially attractive.

The Operator of the SNBB is currently engaged in a tender process to possibly divest of part of its 97.5% equity in the block and is therefore unlikely to commit to further negotiations on the drilling of Dawang and Solan until that process is completed.

### **Phase 2 Development Drilling**

Development well Oseil-11 is currently being drilled and is at a current depth of 7,382 MRKB MD.

The operations have encountered significant losses whilst drilling. These same difficulties were encountered in Oseil-10 development well, completed immediately prior to the spudding of Oseil-11 on April 9<sup>th</sup> 2006.

Projections are that it will take another 2-3 weeks to complete the drilling and completion of Oseil-11.

Oseil-11 is the final development well to be drilled in this Phase 2 program and the drilling rig will then be released.

Oseil-10 was completed on April 9<sup>th</sup> 2006 and is currently producing approximately 600 BOPD of 13.7 API crude oil.

### **Production**

Cumulative Crude Oil, HSFO and Naphtha production as of midnight, 30 April 06 was 3,751,710 bbls, 2,200,600 bbls and 136,777 bbls respectively.

Monthly production of Crude Oil, HSFO and Naphtha for the month of April 2006 was 111,332 bbls, 23,632, bbls and 0 bbls respectively.

On April 14<sup>th</sup> 2006, a planned total production shutdown was undertaken for plant upgrades and modifications. All work was successfully completed during the 5 day shutdown.

On April 2<sup>nd</sup> 2006, a Naptha lifting of 57,321 bbls was completed.

### **General**

During April 2006, power generation turbines and the reboiler furnace were transferred (from diesel) to run on produced gas with a potential saving on operating costs of US\$20,000 per day.

Russell Brimage  
CHAIRMAN