LIONENERGY Ltd

ASX Announcement

7th December 2004

OSEIL PHASE II DEVELOPMENT
OSEIL-3 DRILLING UPDATE

SERAM (NON BULA) BLOCK JOINT VENTURE

LION ENERGY LIMITED, through its wholly owned subsidiary Kalrez Petroelum (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 1,997,459 barrels of crude oil to 31st August 2004, after initial field startup in January 2003, from the three existing wells, Oseil #'s 1, 2 & 4.

The Seram Joint Venture parties have agreed an aggressive Work Programme and Budget (WP&B) for 2005 with the objectives of:

- Lifting oil production to ~ 17,000 barrels of crude oil per day by mid 2005.
- Increasing Block reserves by drilling up at least two satellite structures to the Oseil oilfield.
- High-grading existing exploration prospects in the Block to drillable category, with a seismic programme.

OSEIL-3 is the first of the Phase II development wells. It is located to intersect the producing Manusela carbonate close to the crest of the Oseil structure, some 500 feet up dip of existing wells Oseil-1 & 4. The well is planned as a horizontal oil producer, sufficiently high above the known oil water contact to optimize oil production and recovery. In addition it will test for the presence of a free gas cap in this part of the Oseil structure.

OSEIL-3 was spudded on the 19th November 2004.

7" casing has been set at 6,793 feet measured depth (MD), representing 6,321 feet true vertical depth. The top of the producing Manusela formation is prognosed as 6,781 feet measured depth.

Current operations are preparing to drill out the 7" shoe and thereafter drill into the Manusela formation.

All depths are relative to Rotary Kelly Bushing (RKB).

Yours faithfully
Lion Energy Limited

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Executive Chairman

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