

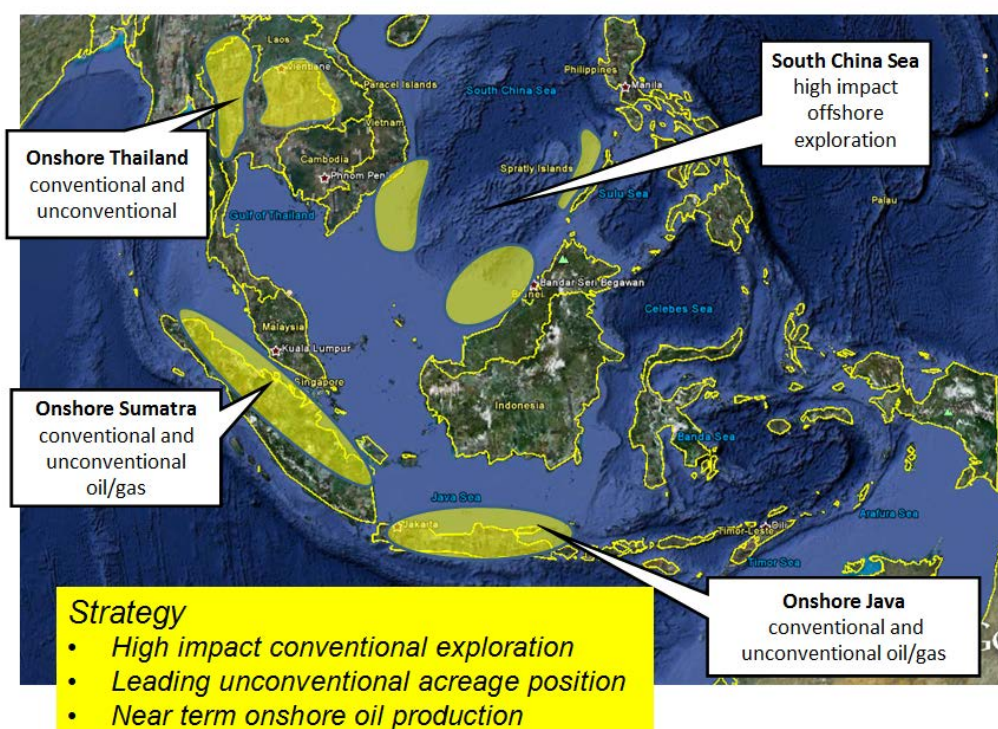
## ASX RELEASE

For immediate release 18 June 2012

### LION ENERGY TO INVEST IN KRX ENERGY

Lion Energy Limited (“LION”) is pleased to announce it has executed an agreement with KRX Energy Pte Ltd (“KRX”), paving the way for LION to provide ongoing funding for KRX as it moves forward with acquisition and development of oil and gas interests in SE Asia.

#### KRX Energy - Project Focus



KRX started in 2010 to build a dynamic, growth oriented, SE Asian focused, oil and gas exploration portfolio by:

- Leveraging existing knowledge base to delineate under-explored assets in proven areas
- Identifying win-win commercial solutions
- Appropriate partnering
- Use of best-in-class consultants/consulting companies
- Fast-tracking exploration and appraisal/ development
- Become leading unconventional (shale gas) acreage holder in region

LION and KRX have been in discussions for some time, with the result that both parties now have a clear and defined vision of the objectives of KRX. Ongoing developments during this process will see early identified opportunities mature in the very near future.

KRX has a highly experienced, well respected management team with excellent technical and managerial skills and big company expertise as well as a network of expert consultants and advisors to ensure technically astute, thorough and cost effective operations. Within this nimble, small company environment, management has demonstrated a prudently aggressive approach to developing and securing opportunities.

Roger Whyte, the Managing Director, is a geophysicist with extensive SE Asian experience and proven management skills as CEO of an ASX listed company.

Kim Morrison, the Technical Director, is a geologist with extensive operational and business development skills, with worldwide experience and a strong SE Asia focus.

Specifically, in the short period since KRX was formed, it has:

- Reached agreement with existing joint venture parties to acquire a 35% working interest in a North Sumatra Production Sharing Contract, subject to regulatory approval. The Contract covers an area of 2,105 sq. km. and has both conventional and unconventional potential.
- Prepared and submitted a competitive bid on an offshore block in the South China Sea region. The Block contains high impact plays and attractive structures, with un-risked potential in the range of 0.5 to 2.7 billion barrels of oil or 1 to 7 TCF of natural gas. KRX awaits advice as to the outcome of the bid round.
- Taken the lead technical role in a Joint Study of the unconventional gas/oil potential in West Indonesia together with significant and well-respected partners - three applications have already been lodged.
- Continued evaluation of opportunities through SE Asia.

Further announcements on these projects will be made as they progress.

LION and KRX have signed an Interim Term Sheet which will be replaced as soon as reasonably practicable with a formal agreement (or agreements) with similar terms. LION is committed to initial firm funding of A\$1 million by way of subscriptions for shares at \$0.05 per share to be provided progressively as needed, which on completion will give Lion a 30.77% interest in KRX. Thereafter Lion has the right over 36 months to fund ongoing activities as it deems appropriate. KRX has no other significant assets or liabilities and currently has 45 million shares on issue.

Funding for LION's investment in KRX will initially be from existing cash reserves. Thereafter, LION will supplement its cash resources by raising additional capital as required.

#### **ABOUT LION ENERGY**

LION, through its wholly owned subsidiary Lion International Investment Limited, holds a 2.5% shareholding in the Seram (Non Bula) Block Renewal Production Sharing Contract. The major shareholder and Operator of the Joint Venture is CITIC Seram Energy Limited (51%). Other partners include KUFPEC (Indonesia) Limited (30%) and Gulf Petroleum Investment (16.5%).

Following a restructure of shareholding agreed to by shareholders in February 2012, LION has and continues to pursue upstream oil and gas opportunities. In addition to the KRX opportunity outlined herein, the Company is vigorously pursuing other low risk opportunities globally.

**Nomenclature**

TCF Trillion cubic feet of natural gas.

**Enquiries:**

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**Competent Person's Statement:**

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr Russell Brimage, Director of Lion Energy Limited who has consented to the inclusion of that information in the form and context in which it appears.

Mr Brimage has over 30 years experience in the application of engineering to the petroleum industry in oil and gas exploration and production, both in Australia and internationally, as either an employee or consultant to oil companies operating in the upstream petroleum industry. Mr Brimage reviews the Company's operations with the help of various professional consultants, appropriately qualified and experienced in their respective fields within the upstream petroleum industry. He is also an Associate Member of the Society of Petroleum Engineers.

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