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

LION ENERGY LIMITED ("LION")
QUARTERLY ACTIVITIES REPORT
Quarter ended December 31st 2007

- Cumulative crude oil production during 2007 at the Oseil oilfield was 1,497,460 barrels at an average daily production rate of 4,103 BOPD, with cumulative crude production reaching 6,533,631 barrels at 31st December 2007.
- During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 368,233 barrels of crude oil (compared to 362,679 and 377,238 barrels of crude oil for the previous quarters) at a daily average of 4,003 BOPD over the quarter.
- HSFO (High Sulphur Fuel Oil) lifting completed in November with 365,601 net barrels loaded.
- The Company continues its investigation of downstream petroleum refining opportunities in China, having made the change from high risk – high cost upstream exploration for oil and gas by successfully divesting of its Gulf of Mexico exploration assets.

1. SERAM (NON-BULA) PSC

(2.5% contractor interest held through wholly owned subsidiary Lion Petroleum Seram Limited)

LION ENERGY LIMITED, through its wholly owned subsidiary Lion International Investment Limited, which in turn owns 100% of its subsidiary, Lion Petroleum 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 CITIC Seram Energy Limited (51%). Other shareholders are KUFPEC (Indonesia) Limited with 30% and Gulf Petroleum Investment (16.5%).

The block contains the Oseil oilfield which has produced since initial field start-up in January 2003, cumulative crude oil production of 6,533,631 barrels to midnight 31st December 2007.

1.1. PRODUCTION

During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 368,233 barrels of crude oil at a daily average of 4,003 BOPD over the quarter.

…/2

Inventory available for lifting at December 31st 2007 was 97,672 bbls of HSFO and 48,935 bbls of Naptha.

The following table shows production performance during the quarter.

YEAR 2007 PRODUCTION				
MONTH	CRUDE OIL (BPM)	CRUDE OIL (BPD)	HSFO (BPM)	NAPTHA (BPM)
OCTOBER	124,419	4,013	129,503	8,549
NOVEMBER	120,310	4,010	103,378	6,898
DECEMBER	123,504	3,984	89,836	5,942

1.2. WORK PROGRAM & BUDGET 2008

The Seram (Non Bula) PSC partners met in late October, early November to discuss the Work Program & Budget for 2008 (“WP&B 2008”). The decision of the parties remains subject to Indonesian Government approval of the program.

The WP&B 2008 as expected, includes drilling to test one very significant sized prospect delineated by earlier work, several lower risk shallow oil prospects similar to the nearby Bula oilfield and several development wells intended to lift production levels.

LION’s direct cost to participate in the joint venture operations, including exploration, development and production operations is forecast to be US$2,300,000 for calendar year 2008.

Based upon revenue projections from the Oseil oilfield and additional development wells, revenue is projected to exceed expenditure for calendar year 2008, subject to crude oil prices remaining at or near current levels.

Further details on specific budgeted operations forming part of the WP&B 2008 will be announced as costs are confirmed (through the tender process) and near to the actual operations implementation.

2. <u>PETROLEUM REFINING</u>

2.1. REFINING OPPORTUNITY

The Company now has downstream petroleum refining industry experience and understanding of the opportunities within the petroleum downstream industry in China.

As announced in the previous quarterly report (to September 30, 2007), the Company is investigating downstream refining opportunities in China, where

…/3

due to the spiraling global demand for refined petroleum products, opportunities abound.

In October 2007, the Company's Board authorized Mr Wu (Executive Chairman) to proceed with this plan and transferred US$600,000 to a wholly owned Company subsidiary account in China to provide working capital for Mr Wu to establish Lion's presence in China and launch the Company's effort to establish refining capacity.

To date these funds have not been expended, but are on hand for use as the investigation and implementation program warrants.

The Company's Board recognizes such a project's capital requirements are considerable and the objective therefore is to mature the project independently until such time as it is prudent to dilute equity and introduce partners with appropriate industry and financial capacity. At that time, it is expected the Company will have considerably value added to its investment in the project by having:

- Completed a full Environmental Investigation Study
- Completed a bankable Feasibility Study
- Selected and secured an appropriate site.
- Had the project approved at appropriate Government levels.

However, even at this early stage of investigation, the Company needs to ensure it can complete the initial project definition with the thoroughness and detail required to ensure pending decisions are based on solid fundamentals.

In so doing, the Company intends to limit its financial exposure by raising additional funds from third parties through the issue of shares in its wholly owned subsidiary Lion International Investment Limited.

This will serve to provide funding for the project, whilst limiting the parent company's (Lion Energy Limited) financial exposure, and without raising capital in the parent company.

3. GULF OF MEXICO

On November 12th 2007, the Company announced that on November 9th 2007 (the Sale Date), LION 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 18th 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

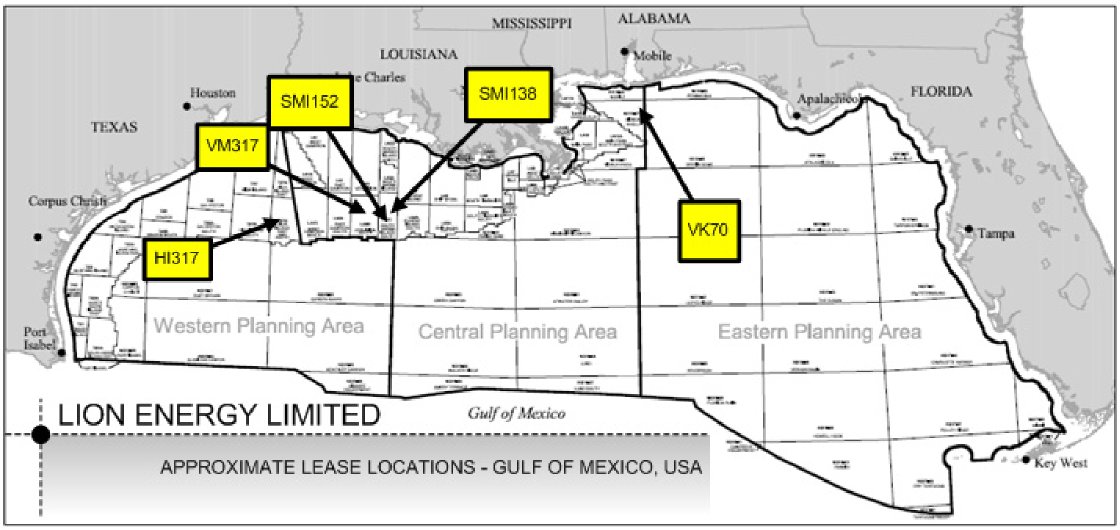
.../4

following oil and gas leases in the Outer Continental Shelf Area of the Gulf of Mexico (collectively the Leases):

LEASE	ABREVIATION	AREA	INTEREST
South Marsh Island Block 152	SM152	2,500	30%
South Marsh Island Block 138	SM138	5,000	30%
Vermilion Block 317	VM317	5,000	30%
Viosca Knoll Block 79	VK79	5.760	30%
High Island Block 307	HI307	5,760	30%

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 USA (a wholly owned subsidiary of Lion Energy Limited) must reimburse Ridgelake up to 40% of certain past costs, meet up to 40% of the costs of drilling to casing election point and in the case of SM 152 and SM 138, 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.

…/5

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 4th 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.

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 31st October 2007, are fully recovered. Net proceeds from each lease shall be applied to the Sunk Costs plus interest with respect to that lease until such payments equal the Sunk Cost plus interest for that 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 has written off approximately US$1,277,000 in capitalized costs.

NOMENCLATURE:

bbls	barrels
BOPD	barrels of oil per day
BPM	barrels per month
BPD	barrels per day

ENQUIRIES:

Russell E Brimage
Telephone: +61 8 9213 4300
Email: info@lionenergy.com.au