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Australian Stock Exchange Limited
Companies Announcement Office

LION ENERGY LIMITED (“LION”)

QUARTERLY ACTIVITIES REPORT QUARTER ENDED 31st DECEMBER 2005

Highlights for the Quarter

- LION’s share of oil inventory held through wholly owned subsidiary Kalrez Petroleum (Seram) Limited, for the quarter was 22,927 barrels (production of oil prior to the sale of the Bula Block interest).
- The amount of 22,927 barrels was lifted in December 2005 as part of a total lifting by the new operator and LION’s share of this revenue will be paid when the invoice is reconciled in accordance with the Production Sharing Contract terms.
- Crude oil production from the Seram (Non-Bula) Block PSC was 363,163 barrels of crude oil at a daily average of 3,947 barrels of crude oil per day.

SERAM (NON-BULA) PSC

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

Production from the Oseil oilfield for the quarter was 363,163 barrels at a daily average of 3,947 barrels per day.

To December 31st 2005, the Oseil oil field has produced a total of 3,304,342 barrels of crude oil. Production in calendar year 2005 was 1,040,041 barrels of crude oil.

Production for 2006 is projected by the Operator to be 1,594,156 barrels of crude oil.

DEVELOPMENT DRILLING

The Phase II Development Drilling program continued during the quarter.

Oseil Tenggara-1

The Oseil Tenggara-1 Development Well was spudded from the Oseil-4 well pad on 9 September 2005. It was the first well in the Oseil Phase II Drilling Program to be drilled outside of the Oseil 1&4 compartment.

A completion string was run and the rig was released on 4 October 2005.

Although the initial production from the well was encouraging, the well began to cut water after one week of production and by 1 November 2005, Oseil Tenggara was tested to yield 422 bbls of gross liquids with a 44.7% water cut and no gas.

The future development program for Oseil Tenggara is now on hold.

Oseil-9

The Oseil-9 well was spudded on 5 October 2005. This well was programmed to drill to 8176 ft MD.

Due to problems during drilling, it was decided to TD the well at 7476 ft MD (-5424 ft TVDss) and run the completion.

On 4 November 2005, the rig was being skidded back to the Oseil-8 slot for the continuation of Oseil-8ST.

Oseil-8ST

On 6 November 2005, Oseil-8ST was re-entered and drilling was continued towards the programmed depth of 8456 ft MD (-5420ft TVDss).

The well was completed as a producer and the rig skidded to Oseil-6 for workover of that well.

Oseil 6 ST-1 Workover

This workover was completed successfully and the new completion assembly installed.

Rig Released from Oseil-6 ST1 WO on December 19th 2005.

Oseil-10

At 31st December 2005, the rig move from Oseil-4 wellsite pad to Oseil-2 wellsite pad was underway in preparation for spudding the Oseil-10.

The Oseil-10 well will be followed by a workover on Oseil-2 and contingent well Oseil-11.

Update to 31st January 2006.

At January 31st 2006, Oseil was producing approximately 3,200 barrels of oil per day (BOPD) from 8 wells. Oseil #5 is awaiting workover after the downhole pump failed during January 2006. This well normally produces approximately 1,200 BOPD. Oseil #2 is currently being worked over and is anticipated to contribute in excess of 500 BOPD.

Following completion of the above workovers production from the Oseil oil field is anticipated to be approximately 4,900 BOPD.

Oseil #10 is currently suspended and will be completed following the Oseil #5 workover. Depending on the outcome of this well, a decision will be made on further development drilling.

Sincerely

Russell E Brimage
CHAIRMAN
LION ENERGY LTD