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27th April 2007

Company Announcements
Australian Stock Exchange Limited

LION ENERGY LIMITED (“LION”)

QUARTERLY ACTIVITIES REPORT Quarter ended 31st March 2006

1. SUMMARY OF ACTIVITY FOR THE QUARTER

- During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 394,139 barrels of crude oil (compared to 416,075 and 533,447 barrels of crude oil for the previous quarters) at a daily average of 4,379 BOPD over the quarter. Cumulative production of crude oil from the Oseil oilfield in the Seram (Non Bula) Block PSC was 5,430,310 barrels as at 31st March 2007.
- Workovers on Oseil-7, Oseil Tenggara and Oseil-1 were successfully completed in the quarter.
- HSFO (High Sulphur Fuel Oil) lifting completed on 31st January 2007 with 361,831 barrels loaded. HSFO in stock at 31st March 2007 was 231,976 barrels.
- Drilling commenced on South Marsh Island Block 138 in the Gulf of Mexico with the spudding of well OCS-G 27089 #1 at 05:30 hours CST on 6th January 2007. The well was plugged and abandoned after reaching 3,628 metres TD (11,904 feet) and failing to encounter commercial hydrocarbons and the rig Pride Georgia moved off location at 05:45 on the 17th February 2007.

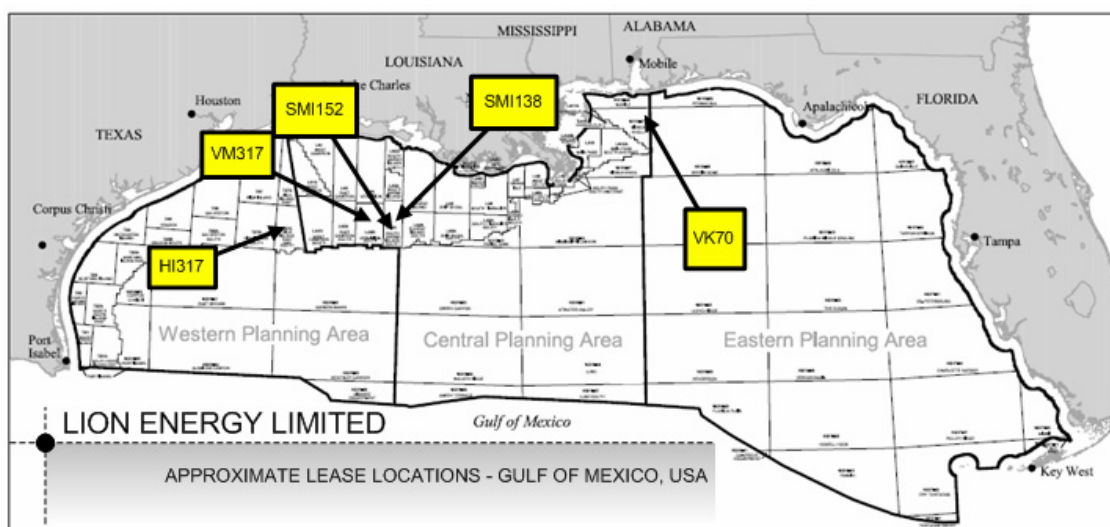
2. GULF OF MEXICO

2.1. SUMMARY OF INTERESTS

LEASE	ABBREVIATION	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 16 $\frac{2}{3}$ % Federal royalty and between a 3 $\frac{1}{3}$ % 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.



2.2. ACTIVITY UPDATE

SM152

South Marsh Island Block 152 OCS-G-27091 is located in the Gulf of Mexico off the Louisiana coast in 240 feet of water. Ridgelake Energy, Inc. was awarded the 2,000 acre lease 1 June 2005. Ridgelake Energy, Inc. is operator for the joint venture.

Negotiations continue with the adjacent lease operator to utilize a platform being installed on that lease for the drilling of wells into proven reserves in SM152.

The proven reserves in SMI152, whilst modest, can likely be commercially produced provided drilling and development costs can be contained. As a stand alone drilling and development project the commerciality of the project is marginal.

Further updates on the progress of the negotiations with the adjacent operator will be provided as the situation develops.

SM138

South Marsh Island Block 138 OCS-G-27089 is located in the Gulf of Mexico off the Louisiana coast in 225 feet of water. Ridgelake Energy, Inc. was awarded the 5,000-acre lease 1 June 2005. Ridgelake Energy, Inc. is operator for the joint venture.

On 8th January 2007, Lion Energy Limited announced that well OCS-G 27089 #1 in offshore lease South Marsh Island Block 138 in the Gulf of Mexico Outer Continental Shelf waters spudded at 05:30 hours CST on 6th January 2007.

Operationally, the well was successfully drilled on budget, completing the operation and moving off location at 05:45 hours 17th February 2007.

However the well failed to encounter hydrocarbons after drilling to total depth of 3,628 meters (11,904 feet) and was plugged and abandoned.

The result is disappointing and technical review is continuing to fully evaluate the outcome. The prospect was reviewed by several very competent and industry recognized independent advisors to the Company and all concluded it to be “ready for drilling”.

Negotiations are underway with the operator of the adjacent block to enable a well to be drilled from that operator’s existing platform, into another SM138 prospect with a recoverable resources estimated at 1,282,500 barrels of oil. These negotiations are currently in progress and further updates will be advised. In the event the SM138 joint venture is able to negotiate an acceptable arrangement with the adjacent lease operator, drilling costs will be reduced to a level to make the drilling of the prospect an attractive commercial venture.

VM317

Vermilion Block 317 OCS-G-27078 is located off the Louisiana coast in 210 feet of water. Ridgelake Energy, Inc. was awarded the 5,000 acre lease 1 May 2005. Ridgelake Energy, Inc. is operator for the joint venture.

Lion’s geophysical consultants are endeavouring to perform an AVO analysis for each of the proposed wells for this lease, to further enhance the prospects.

This lease remains of significant interest and offers great potential.

VK79

Viosca Knoll Block 79 OCS-G-26190 is located in the Gulf of Mexico off the Alabama coast in 79 feet of water. Ridgelake Energy was awarded the 5,760-acre lease 1 June 2004. Ridgelake Energy, Inc. is operator for the joint venture.

Ongoing technical evaluation of this lease is being carried out, with comparisons underway to evaluate and compare it with the drilled wells located in nearby leases VK80 and VK77.

HI307

High Island Block A-307 OCS-G-26560 is located in the Gulf of Mexico off the Texas coast in 197 feet of water. Ridgelake Energy was awarded the 5,760-acre lease 1 October 2004. Ridgelake Energy, Inc. is operator for the joint venture.

This lease has good potential for a 10 metre (35 foot) pay sand with an average net of 20' over the area. However further geophysical and geological work is being undertaken to further evaluate this shallow prospect, prior to beginning plans to undertake a drilling program.

3. 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 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 5,430,310 barrels of crude oil to midnight 31st March 2007.

3.1. PRODUCTION

During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 394,139 barrels of crude oil (compared to 416,075 and 533,447 barrels of crude oil for the previous quarters) at a daily average of 4,379 BOPD over the quarter. Cumulative production of crude oil from the Oseil oilfield in the Seram (Non Bula) Block PSC was 5,430,310 barrels as at 31st March 2007.

The following table shows production performance during the quarter.

YEAR 2007 PRODUCTION				
MONTH	CRUDE OIL (BPM)	CRUDE OIL (BPD)	HSFO (BPM)	NAPHTHA (BPM)
JANUARY	130,661	4,215	126,837	8,914
FEBRUARY	121,121	4,326	78,838	4,869
MARCH	142,357	4,592	164,209	11,389

BPM Barrels per month

BPD Barrels per day

3.2. WELL SERVICING

During the quarter, wells Oseil-7, Oseil Tenggara and Oseil-1 were all successfully serviced utilizing Rig 482. The final well service Oseil-1 was completed and the well returned to production on March 8th 2007.

All well services were completed under budget.

3.3. PARTICIPATING INTEREST IN SERAM ISLAND NON-BULA BLOCK, INDONESIA

Lion Petroleum Seram Limited (LPSL), a wholly owned subsidiary of Lion Energy Limited, is a 2.5% shareholder (the “LPSL Participating Interest”) in the Seram (Non Bula) Block Production Sharing Agreement (SNBB).

On 13th July 2006, CITIC Resources Holdings Ltd (CITIC), a company trading on the Hong Kong Exchange (Code 1205) disclosed the acquisition of a 51% participating interest in the SNBB for a consideration of US\$97.4 million, subject to adjustment, through subsidiary CITIC SERAM ENERGY LIMITED, a company incorporated in the British Virgin Islands, (“CITIC Seram”), from Kufpec (Indonesia) Limited (“KUFPEC”).

CITIC Seram has granted to LPSL a Put Option, pursuant to which LPSL had the right (but not the obligation) to sell to, and require CITIC Seram to acquire, the LPSL Participating Interest from LPSL for a consideration of US\$4,774,510, subject to adjustment.

Lion Energy Limited management pursued the Put Option with CITIC because of the uncertainty associated with the future direction of exploration and development of the SNBB under the majority participating interest and operatorship of CITIC Seram. The Put Option allowed LPSL time to consider CITIC Seram’s plans for the SNBB.

The Put Option has subsequently expired. Lion has been in negotiation with another party interested in acquiring the interest at a higher price than the Put Option provided for. These negotiations are continuing.

4. CORPORATE

4.1. RESIGNATION OF DIRECTOR

On March 14th 2007, Mr Paul Garner resigned as a director of Lion Energy Limited.

4.2. ISSUE OF OPTIONS

The Company announced on April 3rd 2007, the issue of 2,000,000 Options expiring 31st August 2011 and each option entitles the holder to apply for one fully paid ordinary share in Lion Energy Limited at \$0.35 per share, as approved by shareholders at the General Meeting of the Company held 3rd April 2007, bringing the total number of Options expiring 31st August 2011 to 31,000,000.

4.3. GENERAL MEETING

Lion Energy Limited held its General Meeting of shareholders on 3 April 2007. All resolutions as specified in the notice of meeting were successfully passed.

4.4. APPENDIX 3B NEW ISSUE ANNOUNCEMENT, APPLICATION FOR QUOTATION OF ADDITIONAL SECURITIES AND AGREEMENT

On January 16th 2007, the Company issued 20,000,000 options exercisable at 35 cents and expiring on 31 August 2011, pursuant to a prospectus dated December 1st 2006. This class of options was subsequently listed on the ASX and there are currently 31,000,000 options on issue.

Russell E Brimage
CHIEF EXECUTIVE OFFICER
LION ENERGY LTD

BOPD barrels of oil per day