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27th July 2006

Australian Stock Exchange Limited
Company Announcements Platform
20 Bridge Street
SYDNEY NSW 2000

**LION ENERGY LIMITED (“LION”)
QUARTERLY ACTIVITIES REPORT
Quarter ended 30th June 2006**

Highlights for the Quarter

- § During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 446,270 barrels of crude oil (compared to 336,035 barrels of crude oil for the previous quarter) at a daily average of 4,904 barrels of crude oil per day.
- § For the month of June 2006, crude oil production was 178,278 barrels of crude oil at an average daily rate of 5,943 barrels per day, demonstrating the effect of production from the Oseil-11 well, which came on line on June 12th 2006.
- § On June 19th 2006, a load out of 365,634 barrels of HSFO (High Sulphur Fuel Oil) was completed.

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 KUFPEC (Indonesia) Limited with 97.5%.

The block contains the Oseil oilfield, which has produced in excess of 4 million barrels of crude oil since initial field start-up in January 2003 (cumulative crude oil production to midnight 31st June 2006 was 4,086,64 barrels..

DEVELOPMENT DRILLING

The Phase II Stage 1 Development Drilling program was completed on June 12th 2006 with the completion of Oseil-11 development well. The drilling rig was released on that day

Oseil-11

The Oseil-11 well was spudded on April 9th 2006 from the Oseil-2 pad and completed for production on June 12th 2006.

SUBSEQUENT EVENTS

On July 13th 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 Seram (Non Bula) Block Production Sharing Agreement.

On 11 July 2006, CITIC Seram, an indirect wholly-owned subsidiary of the Company, has agreed conditionally to acquire from KUFPEC a 51% participating interest in the benefits, rights and obligations of the Contractor in the Production Sharing Contract for a purchase price of US\$97.4 million, subject to adjustment.

BPMIGAS and the Government of Indonesia and which must be satisfied by the Long Stop Date.

CITIC Resources Holdings Ltd. principal activities include production and sale of aluminium smelter, coal, crude oil, plywood, and import and export of commodities.

On July 22nd 2006, Gulf Petroleum Investment (GPI) announced that on July 20th 2006 GPI executed an agreement with KUFPEC to acquire 16.5% of that company's interest (of 97.5%) in the Seram (Non Bula) Block Production Sharing Contract in Eastern Indonesia, for a consideration of US\$44.5 million.

Gulf Petroleum Investment trades in the Oil Sector on the Kuwait Stock Exchange, RIC Code GPIK.KW, in KUWAIT. The company's main activities include oilfield services, renting equipment and trading in oil and petrochemical derivatives.

Lion Energy Limited is in discussions with CITIC re that company's future plans in the Seram (Non Bula) Block joint venture, given it will become the largest shareholder when and if the transaction completes.

Sincerely

Russell E Brimage
CHAIRMAN
LION ENERGY LTD