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31st October 2007

Company Announcements
Australian Stock Exchange Limited

LION ENERGY LIMITED (“LION”)

QUARTERLY ACTIVITIES REPORT Quarter ended September 30th 2007

1. SUMMARY OF ACTIVITY FOR THE QUARTER

- During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 362,679 barrels of crude oil (compared to 377,238 and 394,139 barrels of crude oil for the previous quarters) at a daily average of 3,942 BOPD over the quarter.
- HSFO (High Sulphur Fuel Oil) lifting completed in August with 364,353 barrels loaded. HSFO in stock at 30th September 2007 was 148,399 barrels.
- Naptha Lifting of 61,987 barrels completed in July 2007. Naptha in stock at 30th September 2007 was 27,546 barrels.
- The Company is seeking farmout and/or divestment of its Gulf of Mexico exploration assets.
- The Company’s management continues to review new opportunities, particularly in the downstream petroleum refining sector, where it has made a commitment to investigate refining opportunity in China.

2. 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 6,165,397 barrels to midnight 30th September 2007.

2.1. PRODUCTION

During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 362,679 barrels of crude oil at a daily average of 3,942 BOPD over the quarter.

The following table shows production performance during the quarter.

YEAR 2007 PRODUCTION				
MONTH	CRUDE OIL (BPM)	CRUDE OIL (BPD)	HSFO (BPM)	NAPTHA (BPM)
JULY	117,916	3,804	104,118	6,105
AUGUST	124,274	4,009	106,852	6,796
SEPTEMBER	120,487	4,016	110,179	6,968

2.2. WORK PROGRAM & BUDGET 2008

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

The WP&B 2008 is expected to include exploration drilling to test several significant sized prospects delineated by earlier work and several development wells intended to lift production levels.

3. GULF OF MEXICO

The Directors of Lion Energy Limited have decided to pursue the divestment or farmout of the Gulf of Mexico interests with expediency to minimize future outgoings.

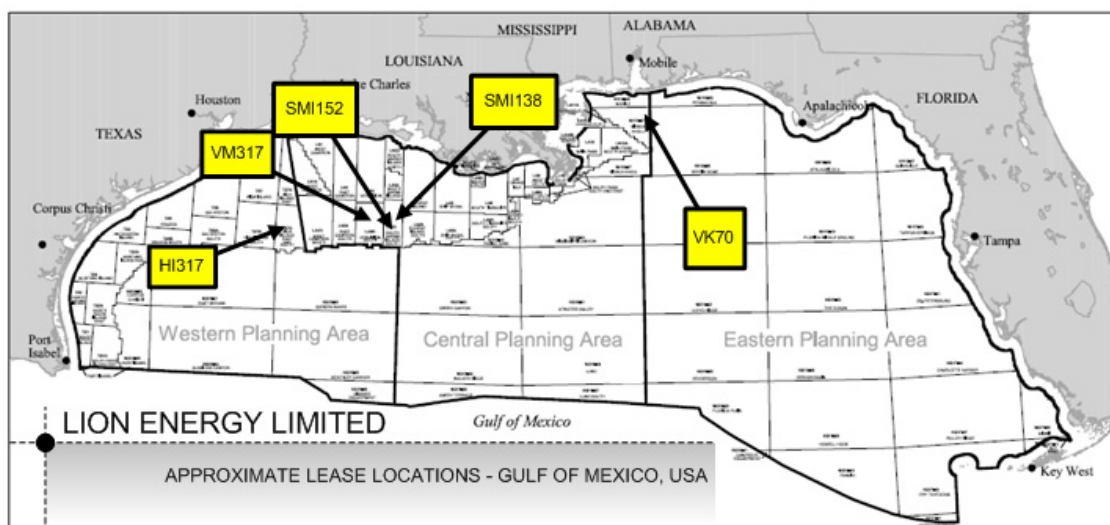
Management is currently in negotiation with an interested party. Provided agreement can be reached between the parties, and subject to Board of Director’s approval of terms and conditions, the Company may be in a position to divest of the Gulf of Mexico interests in the near term.

3.1. 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.



3.2. 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 1st 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 a well or 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.

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 1st June 2005. Ridgelake Energy, Inc. is operator for the joint venture.

Exploration well South Marsh Island Block 138 #1 was 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.

Several smaller prospects are identified within the Block that would require cooperation with surrounding infrastructure owners to ensure development commerciality.

No activity was conducted on the block during the Quarter.

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 1st May 2005. Ridgelake Energy, Inc. is operator for the joint venture.

No activity was carried out on the block during the Quarter.

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 1st June 2004. Ridgelake Energy, Inc. is operator for the joint venture.

During the previous quarter, the Company received a technical report from its geological and geophysical consultant, confirming a prospect earlier identified as low risk, based on analogues in the area.

However, the Company elected not to participate in an exploration well proposed by the Operator, after reviewing risk profile and potential return.

There has been no activity on the Block during the Quarter.

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 1st October 2004. Ridgelake Energy, Inc. is operator for the joint venture.

No activity was carried out on the block during the Quarter.

4. PETROLEUM REFINING

4.1. BOARD RESTRUCTURING

The structure of the Board of Directors has changed significantly over the past 12 months

On the 3rd October 2006, Mr Jian Wu was appointed as an additional director and also Chairman of Directors.

On the 20 November 2006, the following changes were made to the Board structure:

- Mr Weidong Zhang and Mr Zhong Wang were appointed directors of the Company.
- Mr Zhong Wang was appointed an executive director and the Chief Financial Officer for the Company. Mr Weidong Zhang became a non-executive director.
- Mr Martin Bennett resigned as a director of the Company.

On March 14th 2007, Mr Paul Garner resigned as a director of the Company.

On June 6th 2007, the Company the following changes were made to the board and executive structure.

- Mr Zhong Wang resigned as a director and Chief Financial Officer of Lion Energy Limited in order to pursue his personal business interests.
- Mr Jian Wu changed his role from Non-Executive Chairman to Executive Chairman.
- Company Secretary, Mr Jack Toby was also appointed Chief Financial Officer of the Company.

Mr Wu has been Chairman of directors since October 2006 and is also a substantial shareholder. He is well known for his achievements in the petro-chemical industry in China. He founded the Kunming Jianqiang Industrial Development Corporation, establishing a refinery to produce lubricants for vehicles and industrial uses. Over ten years as its Chairman and General Manager, the company grew to a value of US\$30m.

He subsequently founded Guangxi Dongyou Co. Ltd., establishing an oil refinery producing petro-chemical products for Chinese markets. Within five years the company had 500 employees and grew to a value US\$200m.

Mr Wu was born in Hunan, China and gained a BSc in Construction Engineering at Hunan University. He gained wide experience as a Technical Director in the property construction field before moving into the petro-chemical industry. He is currently based in Vancouver and travels frequently to China and Australia.

4.2. REFINING OPPORTUNITY

The restructured Board now has added industry experience and understanding of the opportunities within the petroleum downstream industry.

Recognizing the spiraling global demand for refined petroleum products, during the past 12 months the Company has conducted preliminary reviews of three downstream opportunities, in Indonesia, China and Australia.

In the process of these reviews, it has become evident that China is an outstanding opportunity for the location of a new refinery to process crude oil due to:

- Rapidly rising short term and forecast long term demand for refined petroleum products in transportation and manufacturing.
- Government support for the establishment of new enterprises to address the country's growing demands for refined petro chemical products.
- World class refining industry expertise in country in design and construction.

With industry experience and in country connections within Lion's corporate structure, it is a logical progression to consider the opportunity to establish a petroleum refinery in China.

In pursuit of this opportunity, it was resolved at Board level to commit funds to conduct a preliminary evaluation to:

- Establish a presence in China.
- Gain Government endorsement (licensing) for such a project.
- Conduct a Preliminary Feasibility Study.

In October 2007, the Company's Board authorized Mr Wu (Executive Chairman) to proceed with this evaluation and paid US\$600,000 for preliminary work.

Mr Wu will provide detailed reporting to the Company's Board on progress and expenditure.

The initial work to be undertaken in China will include:

- Appoint various consultants to prepare:
 - An environmental scoping study brief.
 - Preliminary market survey of feedstock source and availability / suitability.
 - Preliminary refinery process study based on processing of most suitable feedstock.
 - Preliminary market survey of demand for refined products to be produced in the refining process.

- Preliminary engineering study and project costing.
- Preliminary site investigation and evaluation.
- Project Commercial Analysis
- Preliminary debt and equity investigation.

The Board will monitor the progress of this initial evaluation as it moves through this conceptual phase by reviewing progress at various milestones, to ensure the proposed project continues to demonstrate low risk potential to become a viable business that the Company will be able to develop.

The Company's Board recognizes that if such a project were to proceed, its capital requirements would likely be considerable and the objective therefore would be 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.

The Directors note that, should this transaction proceed beyond the evaluation stage, the Company may need to seek prior Shareholder approval under the Corporations Act or the Listing Rules, depending on the size and nature of the proposed transaction. The Directors further note that, depending on the size and nature of any proposed transaction, the ASX may also require the Company to meet the requirements in Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list of the ASX.

NOMENCLATURE:

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

ENQUIRIES:

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