



45 VENTNOR AVE
WEST PERTH
WESTERN AUSTRALIA 6005
TELEPHONE: +618 9429 8874
FACSIMILE: +618 9389 4462
ABN 51 000 753 640

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Australian Stock Exchange Limited
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LION ENERGY LIMITED (“LION”)

QUARTERLY ACTIVITIES REPORT Quarter ended 31st March 2005

Highlights for the Quarter

- § Crude oil production from the Seram (Non-Bula) Block PSC was 336,035 barrels of crude oil at a daily average of 3,734 barrels of crude oil per day.
- § On March 27th 2006, a load out of 382,423 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 3 million barrels of crude oil since initial field startup in January 2003.

Production of crude oil from the Oseil oilfield for the quarter was 336,035 barrels, compared with production of 363,163 barrels for the previous quarter, at a daily average of 3,734 barrels per day compared to 3,947 barrels per day in the previous quarter.

To March 31st 2006, the Oseil oil field has produced a total of 3,640,378 barrels of crude oil.

DEVELOPMENT DRILLING

The Phase II Development Drilling program continued during the quarter. Oseil-10 and Oseil-11 are wells planned to drain the Oseil-2 compartment of the Oseil oilfield.

Oseil-10

The Oseil-10 Development Well was spudded from the Oseil-2 well pad on 4th January 2006, following a lengthy rig move from the Oseil-4 pad to the Oseil-2 pad.

The well was completed as a producer and began producing on April 9th 2006. Well rates are still being adjusted.

The drilling of Oseil-10 took considerably longer than prognosed due to significant efforts to cure mud losses during drilling.

Oseil-11

The Oseil-11 well was spudded on April 9th 2006 from the Oseil-2 pad. This is the final well in the Phase II drilling program. The drilling rig will be released on completion of this well.

WELL WORKOVER

Oseil-5

The successful workover of Oseil-5 was completed and the well returned to production on March 24th 2005. Production is at approximately 675 BOPD.

Oseil-2

The Oseil-2 well workover completed on February 20th 2006 was successful and the well continues to produce well, having produced at an average of 1,796 BOPD during March 2006.

DAWANG & SOLAN SHALLOW DRILLING PROSPECTS

As a subsequent event, and further to the ASX announcement of April 10th 2006, the company advises negotiations on the inclusion of these wells (as an amendment) in the Seram (Non Bula) Block 2006 Work Program and Budget are still underway. Further announcements will be made as resolutions are agreed by the joint venture.

Sincerely

Russell E Brimage
CHAIRMAN
LION ENERGY LTD