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Australian Stock Exchange Limited
Companies Announcement Office

LION ENERGY LIMITED ("LION") - QUARTERLY REPORT QUARTER ENDED 30TH SEPTEMBER 2005

Highlights for the Quarter

- § The sale of LION's wholly owned subsidiaries was completed on 27th September 2005, with the execution of a Share Purchase Agreement between LION and Global Select Limited.
- § Production for the quarter from the Bula Block PSC was 34,441 barrels of crude oil at a daily average of 374 BOPD.
- § No lifting took place during the quarter however on October 2nd 2005, a crude oil lifting of 41,920 standard barrels of 22.4 API gravity Bula crude was completed and shipped on the MT Eternal Oil I tanker.
- § Crude oil production from the Seram (Non-Bula) Block PSC was 247,862 barrels of crude oil at a daily average of 2,694 barrels of crude oil per day.
- § A crude oil lifting of 315,600 of Oseil crude was completed on July 23rd 2005

Bula Block PSC

(Wholly owned LION subsidiary Kalrez Petroleum (Seram) Ltd 100% Contractor equity)

Routine operations continued throughout the quarter with uninterrupted production for the quarter of 34,441 barrels of crude oil at a daily average of 374 BOPD.

Labour disputes that had disrupted production in the first half of 2005, have been resolved and effective 30th June 2005, approximately 119 contract personnel completed their service and were compensated in accordance with government manpower regulations.

A crude oil lifting was scheduled for September 2005; however tanker scheduling resulted in delays and the lifting could not be completed before end September.

The lifting of 41,920 standard barrels of 22.4 API gravity Bula crude was completed and shipped on the MT Eternal Oil I tanker with the vessel departing Bula October 2nd 2005.

Had the lifting been completed in September 2005, the invoice to PERTAMINA would have been raised in early October and payment expected early November 2005. The delay means that invoicing cannot be completed until early November, as the Bula oil price (Bula ICP) will not be announced until end October 2005.

Crude oil inventory at 30th September 2005 was 57,771 barrels.

Inventory remaining at the date of sale of the Bula Block PSC remains the property of LION subsidiary Kalrez Petroleum (Seram) Ltd. LION will receive proceeds from the sale of this inventory following invoicing to PERTAMINA after lifting in either December 2005 or January 2006.

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 247,862 barrels at a daily average of 2,694 barrels per day.

Production was shutdown during the period 4th to 11th July 2005 whilst production was transferred from the Temporary Production Facilities (TPF) to the Main Production Facilities (MPF). The TPF was utilized during the shutdown of the MPF for repairs to the Sludge Oil Tank and general plant maintenance.

DEVELOPMENT DRILLING

The Phase II Development Drilling program is continuing and during the quarter:

Oseil - 5 (Location 'D')

After the rig was skidded to the Oseil-5 location on June 22nd 2005, the well was completed on 20th August 2005 after side track #3 was completed. The rig was released and skidded from Oseil 5 to Oseil-8ST.

Oseil-8ST

Oseil-8ST was kicked off from 5,276ft MD on 23 August 2005. The well has been temporarily suspended whilst anomalous geology is interpreted. After encountering the reservoir Manusela formation, the well drilled back into shale, indicating the possible existence of a fault not seen on seismic.

The rig was released from Oseil-8 to Oseil Tenggara 1 on September 8th 2005.

Oseil Tenggara-1

The Oseil Tenggara-1 Development Well was directionally drilled from the Oseil-4 well pad to the Oseil Tenggara structure, an independent fault block on the southeast flank of the main Oseil high.

The well was spudded September 9th 2005 and rig released October 4th 2005.

The well was placed on production at an initial rate of 690 BOPD on October 7th 2005.

Corporate

SALE OF BULA BLOCK PSC AND SERVICE COMPANY INTERESTS

On September 27th 2005, the company executed a Share Purchase Agreement with Global Select Limited (“GSL”), a corporation duly constituted under the laws of the British Virgin Islands.

Under the terms of the Agreement LION has sold and and GSL has purchased all of LION’s estate and interest in the Sale Shares (Sale Shares being the shares in Indonesia Prima Energy Services Ltd (“IPE”) and Kalrez Petroleum (Seram) Limited (“KPS”) both companies being corporations limited by shares constituted under the laws of the Republic of Mauritius and both being wholly owned subsidiaries of LION).

KPS is the Contractor as defined in the Bula Block Renewal Production Sharing Contract (“BBPSC”) executed between PERTAMINA and Kalrez Petroleum (Seram) Limited on May 22nd 2000. The term of the BBPSC is 20 years, expiring 31st October 2019.

IPE is the majority shareholder of shares in PT Prima Jasa Energi (“PJE”), a corporation duly constituted under the laws of the Republic of Indonesia. PJE has various assets in Indonesia, including a 350 HP drilling rig, various heavy equipment and specialized oil field servicing equipment.

The purchase price for the Sale Shares is US\$4,850,000.

Sincerely

Russell E Brimage
CHAIRMAN
LION ENERGY LTD