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7 March 2006

Company Announcements
Australian Stock Exchange Ltd

COMPANY UPDATE

Further to the company's ASX release of 21st February 2006 in which the activities of Lion Energy Limited (ASX: LIO) were updated, we provide the following information.

The forward projections of the company's expenditure commitments for the next 12 months are presented in the following table.

BLOCK	DESCRIPTION	EXPENDITURE
Seram (Non Bula) Block	Development drilling, production operations, exploration activity and general operator overhead	Lion commitment (2.5%) AUD\$1,760,000
Company Overhead	Perth Head Office	AUD\$500,000
TOTAL		AUD\$2,260,000

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 for 2006 is projected by the Operator to be 1,594,156 barrels of crude oil.

As advised in the company's previous announcement, the Seram (Non Bula) Block is now in good standing following the payment of US\$1,316,997 to the Operator on January 9th 2006.

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. The purchase price has been paid in full by GSL with the final funds having been received subsequent to 31 December 2005.

FIXED AND FLOATING CHARGE

A Fixed and Floating Charge instrument over the assets of Lion Energy Limited was entered into in March 2003 between Tulloch Lodge Limited and Kalrez Energy Limited (now Lion Energy Limited). This instrument related to a Loan Agreement entered into between the companies, whereby Tulloch Lodge Limited was to provide a facility (the Advance) of up to A\$1,500,000 to Kalrez Energy Limited. The Security Document referred to in the Loan Agreement is the Fixed and Floating Charge instrument.

The Advance was utilized by Kalrez Energy Limited as working capital.

The Advance plus interest accrued on Secured Money outstanding has been fully repaid by Lion Energy Limited.

LION management is working to discharge the instrument, as all Secured Money has been irrevocably paid and discharged in full and no amount remains contingently payable, including interest accrued.

Financial results for the half year ended 31 December 2005

The proforma balance sheet as at 31 December 2005 for Lion Energy Limited is attached hereto. Profit before tax for the 6 months to 31 December 2005 is expected to

be approximately \$300,000. The Company expects to release an ASX Appendix 4D by 16 March 2006.

Other

The company is moving into a new era of opportunity. Regrettably the past is still impacting on the company in our endeavours to recover “loan funds” issued by previous management. Management will assess the recoverability of these funds as time progresses and make adjustments accordingly.

Management is also progressing with recovery of the coal investment funds and anticipates making further announcements on this process in the near future.

In summary, the company;

1. has sufficient cash reserves to enable it to meet its forward commitments;
2. has production revenue which is projected sufficient to offset expenditures in the Seram (Non Bula) Block;
3. has cash reserves to enable the company to move into new projects;
4. is progressing with KUFPEC the drilling of Dawang and Solan in 2006;
5. is reviewing new opportunities to take the company forward over the next decade.

ASX Listing Rule 3.1

With the release of this announcement, the Company confirms that it is in compliance with ASX Listing Rule 3.1.

Yours sincerely

Russell E Brimage
CHAIRMAN



LION ENERGY LIMITED
UNAUDITED PRO-FORMA BALANCE SHEET
AS AT 31 DECEMBER 2005

	31 December 2005 \$
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	3,985,769
Trade and other receivables	6,858,661
Inventories	408,710
TOTAL CURRENT ASSETS	<u>11,253,140</u>
NON-CURRENT ASSETS	
Property, plant and equipment	41,768
Investments	248,803
Exploration and Development	2,101,615
TOTAL NON-CURRENT ASSETS	<u>2,392,186</u>
TOTAL ASSETS	<u>13,645,326</u>
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	7,604,443
Provisions	150,986
TOTAL CURRENT LIABILITIES	<u>7,755,429</u>
TOTAL LIABILITIES	<u>7,755,429</u>
NET ASSETS	<u>5,889,897</u>
EQUITY	
Issued capital	37,939,675
Reserves	(18,676)
Accumulated losses	(32,031,102)
TOTAL EQUITY	<u>5,889,897</u>