



ASX Announcement

29th April 2005

Lion Energy Ltd (LIO) Quarterly Report for period 1 January 2005 to 31 March 2005

HIGHLIGHTS FOR QUARTER

- Production for the quarter of 26,976 barrels of 23 API crude oil from the Bula Oilfield (100% Lion), at an average of 391 bopd.
- Crude oil lifted and sold in March 2005 from the Bula Oilfield amounted to 57,040 barrels at US\$43.02 per barrel.
- Oseil production continues through the quarter with crude oil production of 160,353 barrels.
- Oseil development drilling continues during the quarter.

OPERATIONS

1. Seram Joint Venture Area

Lion* 2.5%, Kufpec 97.5% (Operator)

* Lion interest held through wholly owned subsidiary – Lion Petroleum (Seram) Ltd

Production from the Oseil oilfield continued throughout the quarter from the Oseil 1, 2, 3 and 4 vertical wells. A total of 160,353 barrels of oil were produced during the quarter. A lifting of 325,303 barrels of HSFO was completed 26th January 2005. To 31st March 2004, the Oseil field has produced 2,434,906 barrels of crude since initial field startup in January 2003.

The Seram Joint Venture parties have approved an aggressive Work Program and Budget for 2005 with the objectives of:

- Lifting oil production to ~ 17,000 barrels of crude oil per day by mid 2005.
- Increasing Block reserves by drilling at least two satellite structures to the Oseil oilfield identified by the Oseil 3D seismic survey.
- High-grading existing exploration leads and prospects to drillable status by recording a 300km 2D seismic survey plus a 46 line-km 3D swath seismic survey.

The first of up to 16 Phase II wells, the horizontal development well Oseil 3, commenced drilling using Century Rig 24 on 19th November 2004. This well was completed and opened to production on 26th January 2005.

On 27th January 2005 Oseil 5 was spudded, and temporarily suspended on 13th February 2005 after setting 7" casing at 6,913 feet MD RKB.

On 15th February 2005 Oseil 6 was spudded and temporarily suspended on 12th March 2005.

On 5th April 2005 Oseil 7 was spudded and is currently drilling ahead.

During the period between the dates Oseil 6 was suspended and Oseil 7 was spudded, a workover of Oseil 3 was carried out to remedy gas leaking from the top of the liner section.

During the drilling of the under pressure Manusela reservoir formation, the under balanced drilling method is applied to ensure returns during drilling operations. The high flow rate from the wells during this under balanced drilling is diverted to the Oseil Production Facility.

While maintenance work at the Oseil Production Facility is undertaken, a temporary production facility has been installed to receive production from completed wells Oseil 1, 2, 3 and 4; however, this facility is not able to process the significant flow during under balanced drilling operations – hence the suspension of Oseil 5 and 6 at the top of the Manusela formation. This strategy will be applied to Oseil 7 and subsequent wells until such time as the maintenance work on the production facility is complete, after which the drilling rig will be skidded back to the suspended wells for completion as producers. Once this completion process begins it is anticipated the wells can be brought into production in quick succession enabling production to escalate to approximately 17,000 BOPD.

2. Bula Field

Lion 100% (held through wholly owned subsidiary Kalrez Petroleum (Seram) Ltd).

Production for the quarter was 26,976 barrels at an average of 391 barrels of oil per day.

In January 2005 57,040 barrels were lifted at a selling price of US\$43.02 per barrel, resulting in gross revenue of US\$2,453,860. Net proceeds after Indonesian Government Entitlement and freight costs is US\$1,906,211. Oil in stock at 31st March 2005 was 5,125 barrels.

On 17 November 2004 Lion Energy announced that it had contracted to sell two subsidiary companies that hold Lion's interests in the Bula field, a drilling rig and other heavy equipment used in Indonesia to PT Ilham Treda Industri. Further to this announcement on 1st March 2005 Lion advised the purchaser was unable to finalise payment. The company has received further expressions of interest from several other parties but will now review the assets with a view to proceed with a sale or retain Bula and add value by increasing oil production.

Production at the Bula field recommenced on 15th February 2005 after further strike action was initiated on 25th January 2005.

3. Sole Risk Drilling

Lion continues to seek farminees to drill two shallow prospects, Dawang and Solan, in the Seram (Non-Bula) PSC.

4. Coal Investment

On 8th February 2005 Lion announced it had entered into an arrangement with an Indonesian company to fund the working capital requirements of an Indonesian coal mining project which has a contract to supply and deliver steaming coal to the National Power Corporation, the Philippine government owned Power Company.

In addition, Lion has begun an exploratory investigation of a contract area in Irian Jaya with the view to possible participation as a joint venture partner in the concession with the concession holder, an Indonesian company owned by Japanese interests. This concession is large and under explored.

5. Corporate

On 12th April 2005 Nick Formichella resigned his position as a director of the company. His replacement is Michael Hourigan.

Michael Hourigan gained his law degree from the University of Adelaide in 1995. He has obtained experience in the practice of law both in Australia and internationally. His experience includes service as a Prosecutor with the Director of Public Prosecutions (South Australia), work as an Investigations Team Leader with the United Nations War Crimes Tribunal for Rwanda, service as Special Legal Counsel to a member of the United States Congress in Washington D.C USA and for the last five years, work as Special Legal Counsel to a leading trial law firm in Atlanta, Georgia, USA. He has recently returned to practice law in South Australia and currently maintains his own legal practice in Adelaide.

GA Mercorella
Chairman

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LION ENERGY LTD

ABN

51 000 753 640

Quarter ended ("current quarter")

31 MARCH 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (9 months) \$A
1.1 Receipts from product sales and related debtors	1,445,322	3,478,886
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(610,645) (677,380)	(3,276,415) (1,270,386)
1.3 Dividends received	8,902	12,891
1.4 Interest and other items of a similar nature received	(9,068)	(44,702)
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	157,131	(1,099,726)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	- (7,518)	(862,885) (205,417)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	(1,985,836) (22,596) (298,778)	(1,985,836) 120,303 (298,778)
1.10 Loans to other entities	(1,985,836)	(1,985,836)
1.11 Loans repaid by other entities	(22,596)	120,303
1.12 Other (investment in shares)	(298,778)	(298,778)
Net investing cash flows	(2,314,728)	(3,232,613)
1.13 Total operating and investing cash flows (carried forward)	(2,157,597)	(4,332,339)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,157,597)	(4,332,339)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	5,812	3,983,247
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	75,000	(1,354,388)
1.18	Dividends paid		
1.19	Other – Capital raising costs		
	Net financing cash flows	80,812	2,628,859
	Net increase (decrease) in cash held	(2,076,785)	(1,703,480)
1.20	Cash at beginning of quarter/year to date	2,536,740	2,163,435
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	459,955	459,955

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	
4.2 Development	
Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	459,955	2,536,740
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	459,955	2,536,740

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	2,262,705,792	2,262,705,792		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	245,000	245,000	2.25 cents	
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter	245,000	245,000	2.25 cents	20 February 2005
7.10 Expired during quarter	441,413,000	441,413,000	2.25 cents	20 February 2005
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~^{*} (*delete one*) give a true and fair view of the matters disclosed.

Sign here:


(Director/~~Company secretary~~)

Date: 29th April 2005

Print name: G A Mercorella

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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