



FOR IMMEDIATE RELEASE

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LION ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

Company reports strong earnings

Seattle, WA – October 27, 2005—LION, Inc. (OTC Bulletin Board: LINN), a leading provider of online lead generation and advanced business solutions that streamline the mortgage fulfillment process, today announced its financial results for the third quarter and nine months ended September 30, 2005.

Revenue for third quarter 2005 was \$4,020,424 up 12% from \$3,574,211 for third quarter 2004 and up 1% from second quarter 2005 revenue of \$3,998,794. Revenue for the first nine months of 2005 increased 9% to \$12,060,136 from \$11,020,486 for the same period in 2004.

The Company recorded net income for third quarter 2005 of \$213,113 compared to net income of \$112,939 for the same quarter in the prior year, and a net loss of \$179,308 for second quarter 2005. The Company reported a net loss for the first nine months of 2005 of \$115,058 compared to net income of \$503,258 for the same period in 2004. Net income in 2004 included a one-time gain of \$433,000 related to settlement of an insurance claim that was booked in second quarter 2004.

The Company recorded an operating profit of \$211,883 for the quarter compared to an operating profit of \$62,394 in the same quarter a year ago, and an operating loss of \$172,636 for second quarter 2005. For the first nine months of 2005, the Company reported an operating loss of \$97,531 compared to operating income of \$27,558 for the same period last year.

The Company continued to maintain a strong balance sheet, ending the quarter with approximately \$4.6 million in cash inclusive of cash, cash equivalents and restricted funds.

“We have just concluded a very satisfying third quarter which includes year over year revenue growth, significantly higher operating profit and net income, and a strong balance sheet,” said Randall D. Miles, Chairman and CEO. “Our performance in the quarter is a validation of our acquisition strategy, and we are in a position to capitalize on our operational successes by aggressively turning our attention to leveraging our infrastructure to grow the Company.

“Each of our business units met key performance objectives in the quarter led by higher volume in our Capital Markets business unit, which added four new lender customers in our Tuttle Risk

Management Services subsidiary, increasing the number of year to date customer wins to fourteen. We expect Mortgage 101 to be a growth engine as it is beginning to benefit from the strategic initiatives introduced by the new leadership we brought in early in the quarter and a recent expansion of our sales infrastructure to leverage the over 1 million unique visitors that access Mortgage 101 each month. Our success in signing new customers and converting existing clients to our Precision MTS productivity suite, a core strategic initiative of the Company, demonstrates great potential. We recently signed three new customers, bringing to nine the total number of customers on the platform.

“I am pleased with the success we had in the quarter signing new customers and launching new growth initiatives and believe that it bodes well for our outlook. The integration initiatives that we have been diligently working on, together with key personnel, systems, products, services and infrastructure now in place, provide significant operating leverage to compliment the incremental investment in sales and marketing we intend to make to attain our growth objectives. We believe we are in the best position we have ever been in to take advantage of market trends to grow the Company and long-term shareholder value.”

Third Quarter Business Unit Highlights

Leads

- Maintained high volume of over 1 million unique visitors monthly to Mortgage101.com
- High search engine placement on Google - number 1, MSN - number 1, and Yahoo - number 2 for keyword search “mortgage”
- Added key experienced sales executive to develop additional lead distribution channels

Loans

- Signed 3 new Precision MTS customers, bringing to 9 the number of customers using the platform
- \$14 billion in loan volume locked using LockPoint Xtra®

Capital Markets

- Signed 4 new lender customers, bringing to 14 the number of customer wins in 2005
- \$32 billion in loan volume hedged through Pipeline Tools risk management technology
- Expanded sales team by adding key industry account executive

Conference Call Details

LION, Inc. will host a conference call to discuss its third quarter financial results at 4:30 p.m. EDT today. Participants may join the conference call by dialing 800-299-7089 (for U.S. participants only) ten minutes prior to the start of the conference call. International participants can dial in to the call at 617-801-9714. The conference call passcode is 97063545. The call will also be broadcast over the Internet and can be accessed through the Company’s web site at www.lioninc.com. A replay of the conference call will be available on the Company’s web site following the conference call and by telephone through November 3, 2005. To access the replay by

telephone, dial 888-286-8010 for U.S. participants and 617-801-6888 for International participants and enter the passcode 10381869.

About LION, Inc.

LION, Inc. is a leading online mortgage lead generator that also provides advanced business solutions that streamline the mortgage loan fulfillment process in the over \$2 trillion mortgage industry. From *Leads to Loans to Capital Markets*, LION offers consistent, seamless business solutions to consumers, brokers, realtors, originators and lenders. LION provides an integrated technology platform offering online loan productivity, mortgage pipeline hedging and risk management, software development and data communication tools. LION's business to consumer Internet portal, Mortgage101.com, attracts over 1 million unique visitors that connect through LION's proprietary network of over 12,000 mortgage brokers, 65,000 realtors and more than 200 lenders. Through its subsidiary, Tuttle Risk Management Services LLC, LION provides hands-on mortgage pipeline risk management for financial institutions that originate and then sell loans into the secondary market. LION has offices in Washington, California and Colorado and has been named by Deloitte & Touche LLP as one of the 50 fastest growing technology companies in the state of Washington for 2004 and 2005. For more information about LION, please visit www.lioninc.com

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This press release contains forward-looking statements that involve risks and uncertainties concerning our expected performance (as described without limitation in the quotations from current management in this release). Actual results may differ materially from the results predicted and reported results should not be considered as an indication of our future performance. We believe that these potential risks and uncertainties include, without limitation: interest rate changes; housing and consumer trends affecting home purchases; the management of our potential growth; our ability to integrate newly acquired assets and product lines; risks of new business areas and new Internet technology; joint-marketing and sales agreements; our ability to attract and retain high quality employees; changes in the overall economy and in technology; and the number and size of our Internet competitors. Statements in this release should be evaluated in light of these important factors. All information set forth in this release is as of October 27, 2005, and LION undertakes no duty to update this information. More information about these and other important factors that could affect our business and financial results is included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, including (without limitation) under the captions, "Factors That May Affect Forward Looking Statements" and "Management's Discussion and Analysis," which is on file with the Securities and Exchange Commission. Additional information may also be set forth in those sections in our quarterly reports on Form 10-QSB previously filed with the Securities and Exchange Commission.

LION, Inc. and Subsidiary
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenues	\$ 4,020,424	\$ 3,574,211	\$ 12,060,136	\$ 11,020,486
Expenses				
Direct costs	1,573,364	1,276,822	4,883,714	4,069,452
Selling and marketing	616,430	477,296	1,870,348	1,525,961
General and administrative	905,321	993,968	3,158,150	3,058,395
Research and development	576,241	611,194	1,844,557	1,908,001
Depreciation and amortization	137,185	152,537	400,898	431,119
	<u>3,808,541</u>	<u>3,511,817</u>	<u>12,157,667</u>	<u>10,992,928</u>
Operating income (loss)	211,883	62,394	(97,531)	27,558
Other income (expense) - net	<u>5,516</u>	<u>(1,145)</u>	<u>(6,840)</u>	<u>426,019</u>
Net income (loss) before tax	217,399	61,249	(104,371)	453,577
Income tax expense (benefit)	<u>4,286</u>	<u>(51,690)</u>	<u>10,687</u>	<u>(49,681)</u>
NET INCOME (LOSS)	<u>\$ 213,113</u>	<u>\$ 112,939</u>	<u>\$ (115,058)</u>	<u>\$ 503,258</u>
Net income (loss) per common share,				
Basic	<u>\$.01</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$.02</u>
Diluted	<u>\$.01</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$.01</u>

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LION, Inc. and Subsidiary
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS

	September 30, 2005 (Unaudited)	December 31, 2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,281,139	\$ 4,518,300
Accounts receivable - net	1,246,632	1,841,840
Deferred taxes	150,000	150,000
Prepaid expenses and other	579,341	436,888
Total current assets	6,257,112	6,947,028
PROPERTY AND EQUIPMENT, net	909,786	931,079
OTHER ASSETS		
Goodwill – net	2,590,130	2,590,130
Other assets	324,408	76,980
	\$ 10,081,436	\$ 10,545,217

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 316,308	\$ 294,235
Accrued liabilities	1,128,757	1,334,659
Current maturities of long-term obligations	38,611	255,621
Deferred revenue	821,399	1,050,128
Total current liabilities	2,305,075	2,934,643
LONG-TERM OBLIGATIONS, less current maturities	972,209	995,305
STOCKHOLDERS' EQUITY	6,804,152	6,615,269
	\$ 10,081,436	\$ 10,545,217

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LION, Inc. and Subsidiary
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended			Nine months ended	
	March 31, 2005	June 30, 2005	September 30, 2005	September 30, 2005	2004
Net (loss) income	\$ (148,861)	\$ (179,308)	\$ 213,111	\$ (115,058)	\$ 503,258
Non-cash items	195,322	192,017	175,507	562,846	710,724
Changes in working capital	175,784	121,281	(224,296)	72,769	(212,531)
Net cash provided by operating activities	<u>222,245</u>	<u>133,990</u>	<u>164,322</u>	<u>520,557</u>	<u>1,001,451</u>
Net cash used in investing activities	(80,720)	(81,663)	(217,904)	(380,287)	(388,429)
Restricted cash for letter of credit	(280,000)	-	-	(280,000)	-
Other net uses of cash for financing activities	(161,130)	79,976	(16,277)	(97,431)	115,745
Net cash (used in) provided by financing activities	<u>(441,130)</u>	<u>79,976</u>	<u>(16,277)</u>	<u>(377,431)</u>	<u>115,745</u>
Net (decrease) increase in cash and cash equivalents	(299,605)	132,303	(69,859)	(237,161)	728,767
Cash and cash equivalents at beginning of period	4,518,300	4,218,695	4,350,998	4,518,300	2,883,314
Cash and cash equivalents at end of period	<u>\$ 4,218,695</u>	<u>\$ 4,350,998</u>	<u>\$ 4,281,139</u>	<u>\$ 4,281,139</u>	<u>\$ 3,612,081</u>