

18 January 2012

LION ENERGY LIMITED (“LION”) OPERATIONS UPDATE

EXPLORATION WELL LOFIN-1 SPUDS

The LOFIN-1 exploration well on Seram Island in Eastern Indonesia was spudded at 14:00 hours WIT January 17th 2012. The well, in the Seram (Non Bula) Block Renewal Production Sharing Contract, is expected to take approximately 120 days to drill and test.

The LOFIN-1 prospect is a thrust fold four-way dip closure anticline, located approximately 56 km to the west of the Oseil producing oil field, which has produced in excess of 10 million barrels of oil since production commenced in late 2002. A gas kick from a shallow water well and oil seepage provide evidence that there is a mature source rock underneath the Lofin area.

The primary objective in the LOFIN-1 well is the likely fractured Jurassic carbonate of the Manusela Formation, essentially the same producing reservoir rocks in the Oseil oil field.

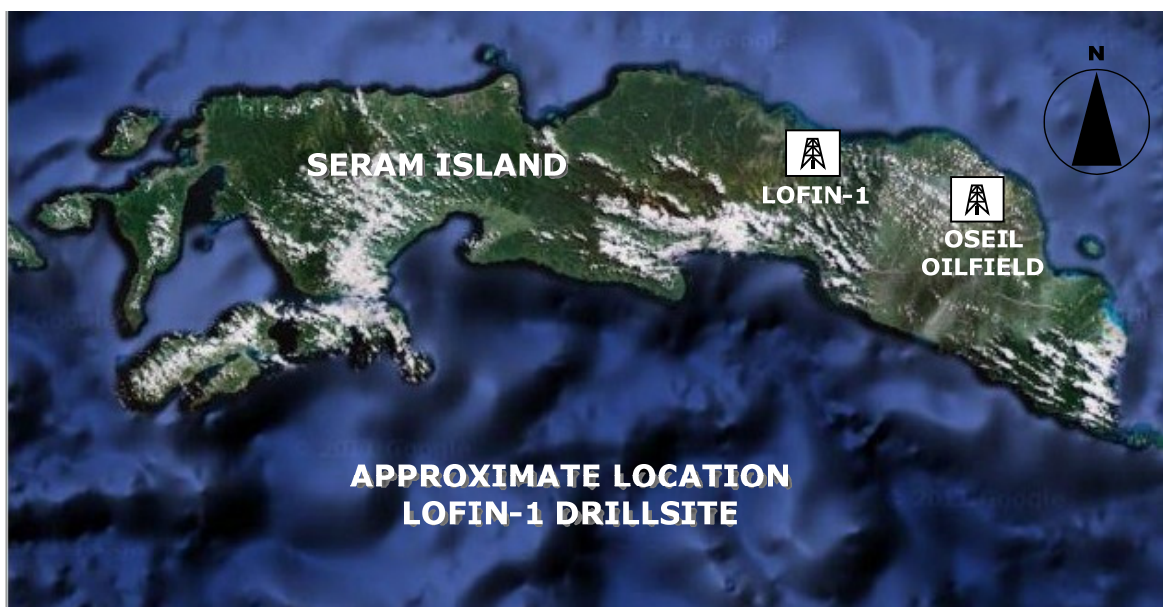
Deterministic STOOIP has been estimated assuming closure down to the 12,467 feet sub-sea closing contour. This corresponds to 1,800 feet of vertical closure, and STOOIP of 412 MMBO of which 82 MMBO is estimated as recoverable using a 20% recovery factor.

SERAM ISLAND LOCATION MAP



LION, through its wholly owned subsidiary Lion International Investment Limited, holds a 2.5% shareholding in the Seram (Non Bula) Block Renewal Production Sharing Contract.

The major shareholder and Operator of the Joint Venture is CITIC Seram Energy Limited (51%). Other partners include KUFPEC (Indonesia) Limited (30%) and Gulf Petroleum Investment (16.5%).



Nomenclature:

MMBO	Barrels of oil x 1,000,000
STOOIP	Stock Tank Oil Originally In Place
WIT	Eastern Indonesia Time (UTC/GMT +9 hours)

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Competent Person's Statement:

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr Russell Brimage, Director of Lion Energy Limited who has consented to the inclusion of that information in the form and context in which it appears.

Mr Brimage has over 30 years experience in the application of engineering to the petroleum industry in oil and gas exploration and production, both in Australia and internationally, as either an employee or consultant to oil companies operating in the upstream petroleum industry. Mr Brimage reviews the Company's operations with the help of various professional consultants, appropriately qualified and experienced in their respective fields within the upstream petroleum industry. He is also an Associate Member of the Society of Petroleum Engineers.