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22nd April 2009

LION ENERGY LIMITED ("LION")
QUARTERLY ACTIVITIES REPORT
Quarter ended 31st March 2009

HIGHLIGHTS FOR THE QUARTER

- Seram (Non Bula) Block Renewal Production Sharing Agreement:
  - A lifting (for export) of 337,438 barrels of HSFO was completed on March 19th 2009. Revenue from this sale is expected to be received in April 2009.
  - During the quarter crude oil production was 243,650 barrels (compared to 287,697 for the previous quarter) at a daily average of 2,707 BOPD, down from 3,127 BOPD the previous quarter.
  - Inventory available for lifting at March 31st 2009:
    - HSFO 39,780 barrels
    - Naptha 32,222 barrels
  - Following disappointing drilling outcomes on the Nief Utara A and the re-entry of East Nief-1, the joint venture is re-evaluating data in an effort to recover the very significant resource contained within both reservoir closures.

1. SERAM (NON-BULA) PSC

(2.5% contractor interest held through wholly owned subsidiary Lion Petroleum Seram Limited)

LION ENERGY LIMITED, through its wholly owned subsidiary Lion Petroleum Seram 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%), KUFPEC (Indonesia) Limited with 30% and Gulf Petroleum Investment (16.5%). CITIC is the Operator for the Joint Venture.

The block contains the Oseil oilfield which has since initial field start-up in January 2003, produced cumulative crude oil production of 7,992,693 barrels as at March 31st 2009.

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As part of a corporate restructure, the Company's Participating Interest in the Seram (Non Bula) Block Renewal Production Sharing Contract is being assigned from Lion Petroleum Seram Limited to Lion International Investment Limited. When this process is complete, Lion Petroleum Seram Limited will be de-registered once all regulatory obligations have been settled. The Indonesian regulatory body BP MIGAS has already approved the assignment. Joint Venture execution of the assignment Deed is in process at 16th April 2009.

1.1. PRODUCTION

During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 243,650 barrels of crude oil at a daily average of 2,707 BOPD over the quarter.

YEAR 2009				
MONTH	**CRUDE OIL (BOPM)**	**CRUDE OIL (BOPD)**	**HSFO (BOPM)**	**NAPTHA (BOPM)**
Jan 09	87,110	2,810	93,300	6,808
Feb 09	76,188	2,721	64,425	4,335
Mar 09	80,352	2,592	63,152	4,494

1.2. OPERATIONS

Nief Utara A-1

Production at Nief Utara A-1 has declined to approx. 160 BFPD in March 2009 from approx. 450 BFPD in September 08 whilst water cut has increased from minimal to approx. 29% over the same period. The operator is reducing the choke size to control the water cut.

Nief Utara A-1 spudded on February 28th 2008 and was drilled to a total depth of 2,229.5 metres (7,315 feet) RKB MD and completed as a future oil producer.

The drilling rig was released from Nief Utara A-1 on May 9th 2008, and production commenced on August 17th 2008.

Nief Utara A-2

This well is currently suspended pending further evaluation.

Delineation well Nief Utara A-2 spudded on May 19th 2008.

The rig was released on August 9th 2008 after the well reached total depth of 2,126.9 meters (6,975 feet) MD or 1,825.7 meters (5,990 ft) TVD SS.

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The well was subsequently tested with the final rate 372 BOPD with a 12% water cut in early August 2008. The unstable rate during testing suggests the well may not have cleaned up.

However production of oil declined rapidly, to 100% water, at which time the well was shut-in for evaluation of results. The well has a low productivity index and high water cut.

Nief Utara A-3

This well is currently under evaluation, following testing, during which in excess of 2,000 barrels of fluid was recovered. The well was flowing 100% formation water when it was finally shut-in.

Delineation well Nief Utara A-3 spudded on August 20th 2008.

9-5/8 inch casing was set at 2,168.2 metres (7,114 feet) RKB MD. The well encountered mud loss and an oil kick just below the 9-5/8 inch casing in the upper part of the target reservoir carbonate in the Manusela Formation.

The well was drilled to 2,388.3 metres (7,836 feet) RKB MD.

After completing open hole logging operations, an ESP completion was then run and the well tested on a 48/64 choke. Total recovery was 2,076 barrels of fluid at a production rate of approximately 1,000 BFPD. Water cut was 100%

Two unsuccessful attempts were made to set cement plugs across the interval 2,240 metres to 2,286 metres (7,350 feet to 7,500 feet).

Following an injectivity test conducted in January 2009, a proposed acid job was cancelled as an injection rate could not be achieved due to tight formation.

Overview Nief Utara A

The results at Nief Utara A closure have been very disappointing. Following initial success at Nief Utara A-1, Nief Utara A-2 and A-3 where drilled. Neither produced commercial quantities of crude oil. Nief Utara A-1 oil rate has declined since coming on line and the water cut is steadily increasing.

The Seram Joint Venture will conduct further evaluation of results to attempt to unlock the significant crude oil reserves in the reservoir closure.

The Nief Utara A prospect is an elongate thrust and reverse-fault controlled four way dip closed anticline, situated at the southeast end of the Oseil high trend, along the Oseil – East Nief anticlinorium.

The primary target at Nief Utara A is the Manusela Carbonate which is more matrix dominated compared with Oseil field which is currently producing at approximately 2,500 BOPD with cumulative production to March 31st 2009 of 7.950.945 barrels of crude oil. The Manusela formation at the Oseil field is more fracture dominated.

Based on the results from Nief Utara A-1, IOIP has been re-evaluated to 36 MMSTBO for the Nief Utara A prospect, with Gross Ultimate Oil Recovery of 14.8 MMSTBO using a 41% recovery factor.

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East Nief-1 (re-entry)

Like the Nief Utara A structure, the East Nief structure holds a very sizeable resource. Oil was discovered in 1988 at East Nief-1, however the well failed to deliver commercial flows at the time.

The re-entry program undertaken by the current JV was commenced in August 2008.

East Nief-1 was drilled in 1988 to a TD of 2,011.6 metres (6,600 feet) RKB and temporarily suspended after six (6) DST's were conducted, several of which recovered oil.

In 1988 the Manusela carbonate was not well understood. Subsequent wells at Oseil and Nief Utara A have provided the joint venture the opportunity to observe the formation during drilling (to continually modify drilling techniques) and during production (with over 7 million barrels produced from Oseil since the field was placed on production).

The acquisition of the 3D seismic over the Oseil field has also enabled the joint venture to re-interpret the East Nief closure.

Preliminary estimates of oil in place are 81 MMSTB (3P) and applying a 19.4% recovery factor, the Gross Ultimate Oil Recovery is estimated at 15.8 MMSTB.

The purpose of the re-entry at East Nief-1 was to produce oil under test, using a downhole Electric Submersible Pump (ESP), from the Manusela Carbonate formation.

In summary, the results of the re-entry were disappointing. The reservoir produced at minimal rates with high water cuts. Whilst the closure is significant, the Joint Venture needs to evaluate the results to date to better understand the reservoir and to develop a plan to enable recovery of the significant resource within the reservoir closure.

Dawang-1

Plans are being prepared to test the gas discovery at Dawang-1. Whilst the commercialization of a relatively small reserve in such a remote location is not feasible, the gas is required for power generation at the Oseil Oilfield facility. The Oseil power generation facility was converted from diesel to natural gas produced in association with Oseil crude. However the associated gas rates have declined to the point where additional reserves are required for the longer term production of Oseil crude.

Exploration well Dawang-1 spudded on July 13th 2008.

The Dawang-1 well is located approximately 25 kilometres southeast of the Bula Oilfields.

The rig was released from Dawang-1 on August 8th 2008 after the well reached TD of 655.3 meters MD (2,150 feet) or 644.9 meters (2,116 feet) MD SS.

Electric logs indicated a gas zone across the interval 433.7 – 439.5 meters (1,423 – 1,442 feet) MD SS in the Matafoten A10 sand.

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The well was temporarily suspended pending testing when a suitable rig becomes available. This work is anticipated in the following quarter.

The deeper seismic anomaly at the Base Fufa level could not be tested in this well. The joint venture has approved a follow-up well in the 2009 Work Program, Dawang-2, to test the Matafoten in the downthrown fault block to the west of Dawang-1 and this well will also test the Base Fufa objective.

Oseil-13 Development Well

Oseil-13 Development well spudded on January 5th 2009.

The Oseil-13 development well is being directionally drilled from the Oseil-2 well pad to the main target in the southern part of the Oseil-2 area at the different fault compartment. The well is intended to provide a take point for un-drained oil reserved in the southern part of the Oseil-2 field. The well will be drilled to TD at -5900 ft Subsea in the Manusela carbonate.

After drilling to 7,118 ft MD, electric log were run and an ESP unit run on 3 ½" EUE tubing to pump suction depth at 6,891 ft MD. The well tested with the following results: WHP 335 psi at rate 236 BFPD with total recovery of 118 bbls, WC 100 %, and CHl 18,000 PPM.

The last test result showed very low fluid entry and 100% water cut. The test was completed and the ESP completion pulled from the well.

The well was deepened to 7,268 ft MD at which point further electric logging was carried out.

Drilling then resumed to 7,853 ft MD and a further suite of electric logs was run after which cement plugs were set and the rig released on at 24:00 hrs (LT) on March 29, 2009.

It is suspected the drill string crossed a fault and re-drilled the same section downdip. The well has been temporarily suspended pending further evaluation.

2. PAPUA NEW GUINEA

Lion Energy Limited through wholly owned subsidiary Lion International Investments Limited, holds a 19.49% interest in Papua Petroleum Limited ("PPL")

PPL has extensive oil and gas interests in Papua New Guinea.

On June 18th 2008, Farmout Agreements were completed between PPL, and Sasol Petroleum Papua New Guinea Limited ("SPPNG"), an indirect, wholly owned subsidiary of Sasol Petroleum International.

Under the Farmout Agreements SPPNG agreed to spend US$11.8 million to earn 51% undivided participating interest in each of PPL's Papua New Guinean Petroleum Prospecting Licences 285, 286, 287 and 288.

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Seismic operations commenced with camp construction in PPL 285 in August 2008. The camp was built by early November when line clearing commenced. A total of 356km seismic data was acquired on time and under budget.

In PPL 287 a small bush camp was established at Haivaro. Line clearing commenced in January 2009 with a total of 24 km of data acquired in February & March 2009. The program was completed on time and on budget.

More than 400 people were employed and both programs were acquired safely with only 3 LTIs reported.

All data are now in processing at Spectrum Geo, Woking, UK. This centre was selected following evaluation of 3 processing centres in Australia and UK.

In excess of 3,000 kilometres of legacy seismic data are being reprocessed in parallel with the new seismic data. These data are from all 4 licences: PPL's 285, 286, 287 and 288.

Aerogravity and aeromagnetic surveying commenced using UTS of Perth in December 2008. The survey will be completed in May 2009. Coverage will comprise all of PPLs 285, 286 and 288. Only the southern area of PPL 287 will be covered due to terrain related problems north of the Darai uplift.

3. Futures Trading

Lion International Investment Limited ("LII"), a wholly owned subsidiary of Lion Energy Limited, has commenced activity in speculative futures trading and investment in listed securities. Trading would be limited to a maximum exposure to loss of A$2 million and further limited to A$400,000 on any individual transaction. Trading will also be restricted to Nymex oil futures, to A$ to US$ exchange rate futures as well as blue chip securities listed on an appropriate stock exchange. As at 15 April 2009, LII had deposited US$1,682,144 with a futures broker, profit on closed positions to date was US$145,660 and profit based on the valuation of open positions was US$22,500. LII has not yet made any investments in listed securities. LII is preparing to deposit a further of A$2 million into LII's account with the futures broker.

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Nomenclature:

BCF	Billion cubic feet
BFD	Barrels of fluid per day
BOPD	Barrels of oil per day
BOPM	Barrels per month
DST	Drill stem test
ESP	Electric submersible pump

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IOIP	Initial oil in place
MD	Measured depth
MMBBLS	Million barrels
MMSTBO	Million standard barrels of crude oil
MMscfD	Million standard cubic feet of gas per day
PBTD	Plug back total depth (of the well)
RKB	Rotary Kelly Bushing (datum for depth measurement)
SS	Sub Sea Level
TD	Total Depth
TVD	True Vertical Depth

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.