

LION ENERGY LIMITED (“LION”) QUARTERLY ACTIVITIES REPORT Quarter ended 30 September 2011

1. HIGHLIGHTS FOR THE QUARTER

- During the Quarter crude oil production from the Seram (Non Bula) PSC was 232,851 barrels (compared to 233,703 for the previous Quarter) at a daily average of 2,531 BOPD, marginally down from 2,568 BOPD the previous quarter.
- Cumulative crude oil production from the Oseil field and the adjacent Nief Utara A structure passed 10 million barrels during the Quarter, since production commenced in December 2002.
- A crude oil lifting of approximately 320,000 barrels is scheduled for around the 18-19 October 2011.
- OSEIL-16 infill development well spuds during the Quarter.

2. SERAM (NON-BULA) PSC

LION ENERGY LIMITED, 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%).

The block contains the Oseil oilfield and surrounding structures which has since initial field start-up in December 2002, produced cumulative crude oil production of 10,051,055 barrels as at 30 September 2011 accompanied by 5.204 BCF of natural gas, most of which is utilized to generate electricity on site for the operations.

SERAM BLOCK PRODUCTION		
	CRUDE OIL	
MONTH	(BOPM)	(BOPD)
Jul-10	62,341	2,011
Aug-10	62,465	2,015
Sep-10	60,453	2,015
Oct-10	64,759	2,089
Nov-10	63,169	2,106
Dec-10	72,254	2,331
Jan-11	68,855	2,221
Feb-11	60,550	2,163
Mar-11	64,465	2,080
Apr-11	76,814	2,560
May-11	81,289	2,622
Jun-11	75,600	2,520
Jul-11	77,869	2,512
Aug-11	78,692	2,538
Sep-11	76,290	2,543

2.1. PRODUCTION

Production in barrels of crude oil per month (BOPM) and barrels of crude oil per day (BOPD) for the current financial year to 30 September 2011 is presented in the adjacent TABLE.

2.2. OPERATIONS

2.2.1 OSEIL-16 INFILL DEVELOPMENT WELL

The OSEIL-16 infill development well is located 400 metres (1312 ft) west of the successful Oseil-2ST2 horizontal well drilled from the existing Oseil-2 well.

The Manusela fractured carbonate is the primary target, and is intended to recover un-drained oil reserve on the western flank of the faulted 4-way dip closure of the Oseil-2 up thrown fault block, with an estimated recoverable reserve of 515 MBO. The well will be drilled deviated to TD at -5596' SSTVD in the Manusela carbonate.

The well spudded on 14 August 2011.

26" hole drill to 282 ft. 20" Conductor Casing set and cement at 270 ft. No problem while drilling this section.

16" hole drill to 1620 ft. 13-3/8" Surface Casing set and cement at 1612 ft. No problem while drilling this section.

12-1/4" hole drill to 4453 ft. 9-5/8" Surface Casing set and cement at 4449 ft. Have some losses and kick problem while drilling this section that required 6 (six) times of Cement Plug to solve drilling hazard.

12-1/4" hole drill to 7382 ft (as at Oct 20, 2011). Have some losses and kick problem while drilling this section that required 16 (sixteen) times of Cement Plug and 2 (two) times of Squeeze Cement to solve drilling hazard. Current operation is drilling ahead.

After cementing 9-5/8 inch casing to 4,449 feet MD, drilling has continued to 7,327 feet MD (as at 18 Oct 2011) with current operations drilling ahead.

2.2.2 OSEIL-2 SIDETRACK-2 (O2-ST2)

O2-ST2 involved the re-entry of the existing Oseil-2 well and the setting of a whipstock at 4,262 feet, to allow a window to be cut in the existing casing from 4,237 – 4,252 feet, from which an 8-1/2 inch directional hole was drilled to 7,130 feet. 7 inch casing was then set at 6,816 feet, after which a 6-1/8 inch hole was drilled to Total Depth of 7,436 feet. A 5 inch liner was then run across 6,816 – 7,113 feet and the well completed prior to rig release on 30 March 2011.

The well continues to deliver sustained production since startup in March 2011 as evidenced by production data presented in the adjacent TABLE. Water production remains minimal.

MONTH	CRUDE OIL		WATER
	(BOPM)	(BOPD)	(BWPM)
Apr-11	15,578	519	220
May-11	15,284	493	383
Jun-11	15,000	500	255
Jul-11	15,847	511	106
Aug-11	15,600	503	101
Sep-11	14,955	499	167

2.2.3 OSEIL-18

OSEIL-18 infill-development well was spudded on 4 July 2010 and drilled to a total depth of 7,232 feet MD.

On 26 March 2011 the well was shut in for a work-over to shut off the high water production. The well was back on production on 17 April 2011.

Production performance to date is summarized in the adjacent TABLE.

Based on the results, whilst water has increased in the past quarter, it remains significantly lower than pre the water shut-off workover.

OSEIL-18	CRUDE OIL		WATER
MONTH	(BOPM)	(BOPD)	(BWPM)
Oct-10	4,802	155	5287
Nov-10	1,412	47	20824
Dec-10	1,861	60	23626
Jan-11	2,011	65	31329
Feb-11	1,823	65	26494
Mar-11	1,319	43	15546
Apr-11	1,337	45	2486
May-11	6,912	223	2306
Jun-11	5,700	190	1236
Jul-11	6535	211	4045
Aug-11	7835	253	4854
Sep-11	9692	323	4602

2.2.4 OSEIL TENGGARA-1 WORKOVER

A water shut-off of the OSEIL TENGGARA-1 well was uncompleted due to a fishing problem with rig release on 16 June 2011.

It is planned to continue the job when the appropriate facilities are available.

2.2.5 NIEF UTARA A-3 WELL SERVICE

The work-over rig moved from OSEIL TENGGARA-1 to NIEF UTARA A-3 to carry out an ESP replacement.

The well service was completed and the rig released 2 July 2011.

Production has been returned to pre pump failure rates.

2.2.6 OSEIL-7 WELL SERVICE (ESP Replacement)

A pump replacement was carried out in August 2011 and the well is now back on production and returning to pre pump failure production rates.

2.3. CORPORATE

Mr Russell Brimage, a director of Lion Energy Limited, has been appointed an Executive Director and Chief Executive Officer of the Company.

Enquiries:

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Nomenclature:

BCF	Billion cubic feet
BOPD	Barrels of oil per day
BOPM	Barrels of oil per month
BLPD	Barrels of liquid per day
BWPM	Barrels of water per month
MBO	Barrels of oil x 1000
MD	Measured Depth
MMSCFD	Cubic feet of gas x 1,000,000 at 15 deg C
SSTVD	True Vertical Depth relative to sea level datum
TD	Total 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.