

## LION ENERGY LIMITED (“LION”) QUARTERLY ACTIVITIES REPORT Quarter ended 31 March 2008

### HIGHLIGHTS FOR THE QUARTER

- Cumulative Crude Oil production at 31<sup>st</sup> March 2008 was 6,889,698 barrels of crude oil.
- During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 356,059 barrels of crude oil (compared to 368,233 for the previous quarter) at a daily average of 3,913 BOPD, down from 4,003 BOPD the previous quarter.
- A lifting of 300,220 barrels of High Sulphur Fuel Oil (HSFO) was completed on March 14<sup>th</sup> 2008.
- Inventory at March 31<sup>st</sup> 2008 comprised:
  - HSFO 146,780 barrels
  - Naptha 34,968 barrels
  - Crude Oil 24,374 barrels
- Drilling commenced on development well Nief Utara 1A on February 28<sup>th</sup> 2008.

#### 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 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 produced since initial field start-up in January 2003, cumulative crude oil production of 6,889,698 barrels of crude oil to midnight 31<sup>st</sup> March 2008.

##### 1.1. **PRODUCTION**

During the quarter crude oil production from the Seram (Non-Bula) Block PSC

was 356,059 barrels of crude oil at a daily average of 3,913 BOPD over the quarter.

YEAR 2008				
MONTH	CRUDE OIL (BOPM)	CRUDE OIL (BOPD)	HSFO (BOPM)	NAPHTHA (BOPM)
JAN 08	121,179	3,909	112,768	7,017
FEB 08	113,825	3,925	101,784	4,094
MAR 08	121,055	3,905	96,717	9,139

## 1.2. WELL SERVICING

On January 29<sup>th</sup> 2008, well servicing of Oseil-2 well was completed.

## 1.3. OPERATIONS

### *Drilling Nief Utara A-1*

On March 6<sup>th</sup> 2008, the Company advised that exploration well Neif Utara A-1 spudded on February 28<sup>th</sup> at 10:00 AM in the Seram (Non Bula) Block Production Sharing Contract on the island of Seram in eastern Indonesia.

20 inch casing was set at 204 feet.

The Neif 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 Neif anticlinorium.

The primary target is the Manusela Carbonate, interpreted to be similar in reservoir characteristics to the nearby Oseil oilfield, which is currently producing at approximately 4,000 BOPD, with cumulative production to 31<sup>st</sup> March 2008 of 6,899,698 BO.

For the Nief Utara A prospect, deterministic STOOIP has been estimated at 34 MMSTBO, and reserves of 10.2 MMSTBO using a 30% recovery factor.

Well cost is projected to be US\$6,329,784. Lion's 2.5% share of the drilling costs will be treated as an expense.

### **Subsequent Event**

On April 24<sup>th</sup> 2008, the Company released the latest update on drilling of Nief Utara A-1.

The Company advised that exploration well Nief Utara A-1 was at 6,661 feet at 6 AM 24<sup>th</sup> April 2008.

Progress to that date included:

- 20 inch casing set at 204 feet.

- 13 3/8 inch casing set at 1,508 feet
- 9 5/8 inch casing set at 4,494 feet.
- 7 inch casing set above the objective Manusela formation at 6,705 feet.

**Current Status at 24 April 2008 was:**

Drilling ahead with directional bottom hole assembly at 6,661 feet after tagging top of cement (from the setting of the 7 inch casing) at 6,608 feet.

**Forecast**

Continue drilling 6 1/8" hole to objective Manusela formation.

***Follow-up Drilling Activity***

Following the completion of activities on Nief Utara A-1 it is planned to drill development wells Osel-12 and Oseil-13 to increase production at the Oseil oilfield.

**2. FINANCIAL RESULTS**

Revenue for Lion Energy Limited and its subsidiaries ("Group") for the 9 months to 31 March 2008 was A\$2,643,238 comprising oil revenue of A\$2,398,588, other income of A\$137,831 and interest income of A\$106,819. The year to date loss for the same period was A\$2,048,973. The loss includes amortization of the investment in the Seram (Non-Bula) PSC of US\$154,734 based on the opening written down value of this asset at 01-Jul-07 of US\$1,134,714 being written off by 31-Dec-2012. The loss also includes foreign exchange losses of A\$1,138,532 and the impairment of capitalised exploration costs of A\$1,442,966. At 31-March 2008, the Group had cash denominated in various currencies which equated to A\$8,256,816.

Sincerely

Russell E Brimage  
CHIEF EXECUTIVE OFFICER  
LION ENERGY LTD

BOPD            barrels of oil per day  
BOPM            barrels per month  
MMSTBO        Million standard barrels of crude oil