
29th July 2010

LION ENERGY LIMITED (“LION”) QUARTERLY ACTIVITIES REPORT Quarter ended 30th June 2010

HIGHLIGHTS FOR THE QUARTER

- Seram (Non Bula) Block Renewal Production Sharing Agreement:
 - During the Quarter crude oil production was 188,204 barrels (compared to 196,297 for the previous quarter) at a daily average of 2,068 BOPD, down from 2,181 BOPD the previous quarter.
 - Inventory at 30 June 2010 was 96,215 barrels.
 - A crude oil lifting of 354,750 barrels was completed on 29 May 2010, from which LION received net proceeds of US\$607,193.
 - Ultra Short Radius Drilling trial completed.
- Mobilization of the drilling rig to development well location OSEIL-18 commenced on 13 Jun 2010, with the well spudded on 4 July 2010. The well is expected to take 60 days, including testing of the well.

1. SERAM (NON-BULA) PSC

(2.5% contractor interest held through wholly owned subsidiary Lion International Investment Limited)

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 which has since initial field start-up in January 2003, produced cumulative crude oil production of 9,005,187 barrels as at 30 June 2010 and 4.544 BCF of natural gas, most of which is utilized to generate electricity on site for the operations..

1.1. PRODUCTION

During the Quarter crude oil production from the Seram (Non-Bula) Block PSC was 188,204 barrels at a daily average of 2,068 BOPD.

Production for the financial year to 30 June 2010 is tabled below.

MONTH	CRUDE OIL (BOPM)	CRUDE OIL (BOPD)
Jul 09	68,324	2,204
Aug 09	71,610	2,310
Sep 09	67,950	2,265
Oct 09	67,363	2,173
Nov 09	64,920	2,164
Dec 09	68,200	2,200
Jan 10	69,130	2,230
Feb 10	61,740	2,205
Mar 10	65,427	2,111
Apr 10	63,157	2,105
May 10	64,326	2,075
Jun 10	60,720	2,024

1.2. OPERATIONS

1.2.1 OSEIL-18

OSEIL-18 is an infill-development well, deviated in the SE flank of the Oseil-1/4 structure. The well is intended to produce un-drained oil reserves not drained by the nearest existing well Oseil-9, within the SE sector of the Oseil-1/4 structure.

The primary objective is the producing Manusela Formation carbonate.

OSEIL-18 well is proposed to be drilled directionally from the Oseil-4 well pad to a total depth (TD) of 7,415 feet MD. The well is expected to produce cumulative oil of 700 MBO.

Mobilization of the drilling rig to location commenced on 13 Jun 2010, with the well spudding on 4 July 2010.

The well is prognosed to take 60 days, including an allowance for 14 days of testing of the well.

1.2.2 ULTRA SHORT RADIUS DRILLING (USRD) PROGRAMS

USRD was utilized on two wells, NIEF UTARA A-3 and EAST NIEF-1 in an attempt to recover hydrocarbons from shows seen during drilling operations.

NIEF UTARA A-3

Exploration well NIEF UTARA A-3 was drilled in 2008 and subsequently shut-in due to high water cut.

Based on geological information which indicated additional hydrocarbon potential at a particular interval, the well was sidetracked using USRD in March 2010 to access objective intervals. The results of the sidetrack indicated signs

of oil accumulation. Based on these indications an acid fracturing, utilizing PerfClean technology was carried out and completed 22 May 2010.

Subsequent testing of the well has continued and latest results up to 30 June 2010 were a fluid rate of 847 BFD, with an oil cut of only 8.5%. Due to limitations in trucking capacity, the maximum testing fluid rate is 850 BFD.

The Operator is preparing a submission to partners and the Indonesian regulatory body (BP MIGAS) to justify putting the well on production with the estimated initial oil production at 120 BOPD. Additional investment of US\$400,000 is required to increase trucking capacity up to 1,500 BFD.

EAST NIEF-1

EAST NIEF -1 was a vertical exploration well drilled in 1988. The well was re-entered in October 2008 to open additional intervals and despite acid washing of the new intervals, the production rate diminished to zero rapidly and was shut-in.

The primary objective of the USRD at EAST NIEF-1 was to improve well productivity on some previously tested intervals by having longer wellbore contact with the reservoir, therein increasing the drainage area within the Manusela Formation carbonate reservoir.

After completion of the USRD, an acid wash with the PerfClean tool was performed and an Electric Submersible Pump (ESP) was run in the well and tested, prior to the release of the rig.

The well was then placed on test.

Test results proved disappointing, and an acid fracturing is planned in the coming quarter to improve near wellbore permeability.

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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
MBO	Barrels of oil x 1000
MD	Measured Depth
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.