

29 July 2011

LION ENERGY LIMITED (“LION”) QUARTERLY ACTIVITIES REPORT

Quarter ended 30 June 2011

1. HIGHLIGHTS FOR THE QUARTER

- During the Quarter crude oil production was 233,703 barrels (compared to 193,870 for the previous quarter) at a daily average of 2,568 BOPD, down from 2,154 BOPD the previous quarter, due to the production from the Oseil-2ST2 well..
- A crude oil lifting of 365,235 barrels was completed on 2nd June 2011 delivering LION proceeds of US\$905,974.
- Nief Utara B-1 Exploration well drilled and completed in 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 which has since initial field start-up in January 2003, produced cumulative crude oil production of 9,818,204 barrels as at 30 June 2011 and 5.079 BCF of natural gas, most of which is utilized to generate electricity on site for the operations.

2.1. PRODUCTION

Production monthly in barrels (BOPM) and daily average in barrels (BOPD) for the current financial year to 30 June 2010 is presented in the following TABLE.

Production for the current financial year to 30 June 2011 is presented in the adjacent TABLE.

MONTH	CRUDE OIL	
	(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

2.2. OPERATIONS

2.2.1 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 initial flow results have been sustained with production for the quarter presented in the adjacent TABLE. Water production to date has been minimal.

	CRUDE OIL		WATER
MONTH	(BOPM)	(BOPD)	(BWPD)
Apr-11	15,578	519	7
May-11	15,284	493	12
Jun-11	15,000	500	8

2.2.2 OSEIL-18

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

At the end of the previous quarter the well was shut in awaiting installation of an electric submersible pump (ESP), which was completed on 8 October 2010.

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 following TABLE.

	OIL	WATER
MONTH	(BOPM)	(BWPM)
Oct-10	4,802	5,287
Nov-10	1,412	20,824
Dec-10	1,861	23,626
Jan-11	2,011	31,329
Feb-11	1,823	26,494
Mar-11	1,319	15,546
Apr-11	1,337	2,486
May-11	6,912	2,306
Jun-11	5,700	1,236

Based on the results, the work-over has achieved its objective.

2.2.3 OSEIL-16

A work-over carried out on OSEIL-16 to reduce the water cut appears unsuccessful after the water cut remains at 98% two full months after the work-over was completed on 28 April 2011.

2.2.4 NIEF UTARA B-1

The Nief Utara B-1 is an exploratory well intended to test the potential of the Manusela fractured carbonate reservoir of the Nief Utara B structure, on a

structural high of a faulted 4-way dip closure, located approximately 3.5 kilometres south east of the Oseil field.

The well is designed to be drilled directionally from a surface location on a topographic high, approximately 800 metres (2,623 feet) south of the target location. The presence of the oil has been found and proven in the Oseil field to the west and Nief Utara A field discovery well and East Nief-1 exploratory well in the south eastern part of the PSC block.

Deterministic STOOIP and reserves have been estimated assuming closure down to the 5750 feet sub-sea, corresponding to 400 feet of vertical closure, at 9 MMSTBO and reserves of 1.8 MMSTBO, using a 20% recovery factor.

After completing the rig move and rig up, the well was spudded on 1 May 2011.

18-5/8 inch Conductor Casing was run to 240 feet and cemented. The hole was then drilled to 1535 feet at which point 13-3/8 inch casing was run to 1529 feet and cemented. After drilling to 5032 feet, 9-5/8 inch casing was run to 5024 feet and cemented.

8-1/2 inch hole was then drilled to 7218 feet at which point 7 inch casing was run to 7210 feet.

6-1/8 inch hole was then drilled to 7481 feet at which point wire line logs were run, following which an electric submersible pump (ESP) was run on 2-7/8 inch tubing to 6902 feet.

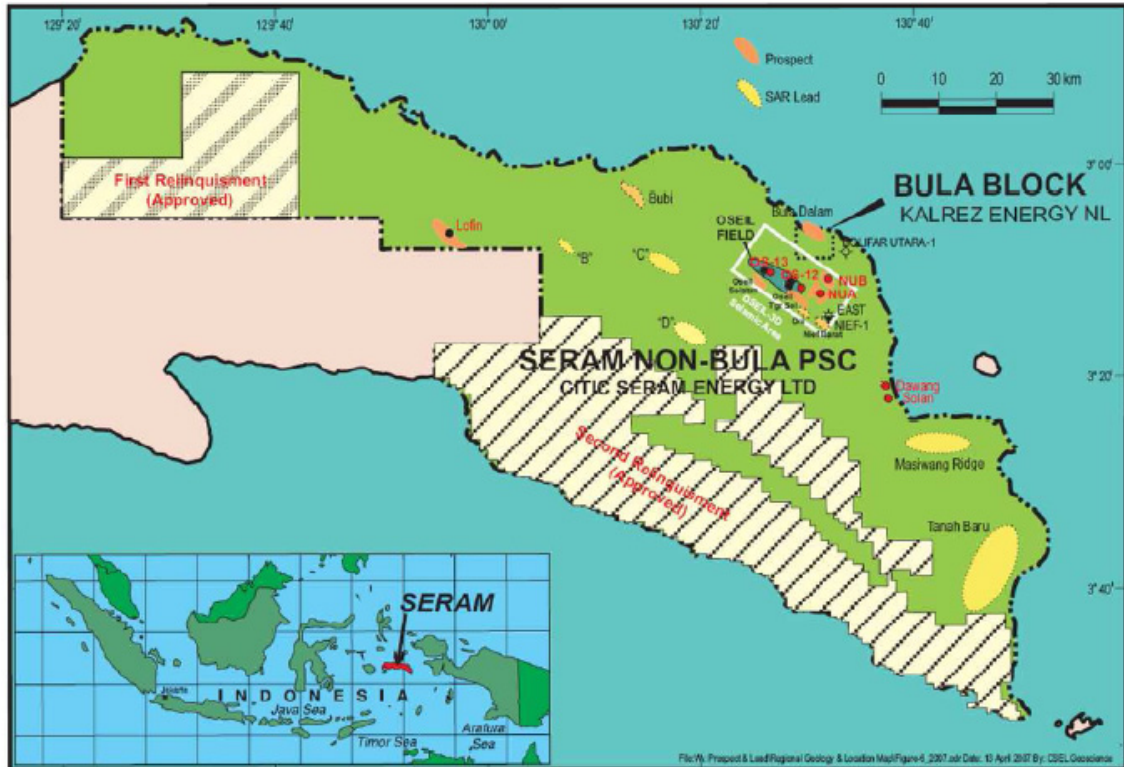
During flow test, the well flowed only gas on a 34/64 inch choke at a rate of 2.644 MMSCFD, with no liquids. The well was then shut in due to hydrate problems causing flow-line blockages.

After retrieving the ESP assembly from the well, a packer was then set at 7428 feet. The ESP was then re-run and set at 6902 feet.

Flow testing of the well resulted in 568 barrels of liquid per day (BLPD) on a 5/64 inch choke (100% water cut – kill fluid used in the well). Hydrates again caused flow-line blockage, at which point the well was shut-in.

A follow-up flow test on a 16/64 inch - 21/64 inch (gradually increase) resulted in a gas rate of 1.003 MMSCFD with no associated liquids.

The well was re-opened on 18 June 2011 and flowed at a rate of up to 2.6 MMSCFD with no liquid on a 34/64 inch choke. The well was then shut-in on 20 June 2011 for further evaluation of a gas shut off program.



NIEF UTARA B-1 LOCATION MAP

2.2.5 OSEIL TENGGARA-1 WORKOVER

A work-over of the OSEIL TENGGARA-1 well was completed with rig release on 16 June 2011. The work-over was designed to shut-off water production. Initial results indicate the work-over has been successful, reducing water cut from the high 90's% to 60%, although performance over the next two months will be monitored to confirm the apparent successful outcome.

2.2.6 NIEF UTARA A-3 WORKOVER

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

This is routine infield maintenance and budgeted for in filed maintenance forecasts.

2.3. EXPENDITURE

Expenditure for the Quarter, for which Lion is committed to 2.5%, is summarized in the following TABLE, with all amounts in US\$,000's.

EXPENDITURE	APR 2011	MAY 2011	JUN 2011
Exploration	1,884	2,122	5,282
Development	80	32	357
Production	2,305	2,219	1,446
G&A and PCO	539	392	688
	4,808	4,756	7,773

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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
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.