

30th July 2009

LION ENERGY LIMITED (“LION”) QUARTERLY ACTIVITIES REPORT Quarter ended 30th June 2009

HIGHLIGHTS FOR THE QUARTER

- Seram (Non Bula) Block Renewal Production Sharing Agreement:
 - High Sulphur Fuel Oil (HSFO) in stock at 30th June 2009 available for lifting was 232,421. Based on this stock inventory, an uplift (sale) is expected during August 2009. The previous lifting (337,438 barrels of HSFO) was completed on March 19th 2009.
 - During the quarter crude oil production was 219,625 barrels (compared to 243,650 for the previous quarter) at a daily average of 2,413 BOPD, down from 2,707 BOPD the previous quarter.
 - Inventory available for lifting at June 30th 2009:
 - HSFO 232,421 barrels
 - Naptha 43,111 barrels
 - A workover was completed during the quarter on Oseil-2 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%), 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 December 2002, produced cumulative crude oil production of 8,212,319 barrels as at June 30th 2009.

1.1. PRODUCTION

During the quarter crude oil production from the Seram (Non-Bula) Block PSC was 219,625 barrels of crude oil at a daily average of 2,413 BOPD over the quarter.

YEAR 2009				
MONTH	CRUDE OIL (BOPM)	CRUDE OIL (BOPD)	HSFO (BOPM)	NAPHTHA (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
Apr 09	72,765	2,426	72,547	4,486
May 09	72,467	2,338	74,807	4,427
Jun 09	74,393	2,480	54,450	4,064

1.2. OPERATIONS

Oseil-2 Workover

Drilled in 1998, Oseil-2 was one of the initial three wells put on production in January 2003 in the Oseil field development. The well was initially completed with a 153 metre (503 foot) horizontal section. In April 2006, the water cut increased from 5% to 99% in less than a week.

The purpose of the workover was to isolate the water production and perforate the well up-hole behind the liner and sufficiently above the water contact.

On May 6th, the rig-up was completed and the ESP pump was pulled.

The open hole section of the well was then cemented prior to perforating the zone 2,037 – 2,048 metres (6,685 – 6,720 feet). The ESP unit was then re-run and the well tested from 19 – 31 May 2009. Due to the high gas content of the production, the ESP was shut-in on 20 May 2009 and let the well flow naturally, the last results indicated a flowing tubing pressure of 1475 PSI on a 4/64" surface choke and a gas rate of 100-250 MSCFD.

The well has subsequently been shut-in and secured for future gas fuel supply, whilst an acid job is being prepared.

As a result of Oseil-2 workover, the adjacent well Oseil-11 has Water Cut reduction and now it is able to flow naturally (it was on ESP).

2. PAPUA NEW GUINEA

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

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

Farmout Agreements were entered into on June 18th 2008 and completed on August 5th, 2008 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.

In excess of 3,000 kilometres of seismic data was acquired during the farm-in program and interpretation of this data is now progressing.

The company considers the investment in PPL has significant upside potential. Corporate activity in Papua New Guinea has intensified in recent times, confirming industry recognition of the significant exploration potential of this vast under explored region, as demonstrated by recent events such as:

- Sale & Purchase Agreement entered into between Horizon Oil Limited (ASX Code: HZN) and a subsidiary of Thailand company P3 Global Energy Company Limited for interests in Papua New Guinea Blocks PRL 4 & 5 for a consideration of US\$55 million.
- Offer by Talisman Energy Holdings Ltd to acquire Rift Oil PLC.
- New Guinea Energy Ltd reached a Heads of Agreement with an unnamed multi national oil company to farm out Papua New Guinea Blocks PPL 268 & 269.

3. Futures Trading

Lion International Investment Limited (“LII”), a wholly owned subsidiary of Lion Energy Limited, incurred losses on futures trading of US\$666,119 since the commencement of trading in March 2009. The losses relate primarily to oil futures and arose due to a higher crude oil price than expected. In May 2009, LII closed all futures positions, ceased futures trading and withdrew all but US\$33,868 of its funds from the futures broker account. LII’s account with the futures broker remains open, but dormant.

Enquiries:

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Nomenclature:

BOPD	Barrels of oil per day
BOPM	Barrels per month
ESP	Electric submersible pump
MSCFD	Thousand standard cubic feet per day.

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.