
29th October 2009

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

HIGHLIGHTS FOR THE QUARTER

- **Seram (Non Bula) Block Renewal Production Sharing Agreement:**
 - Approval granted by the Indonesian regulatory body for a Joint Venture trial sale of crude oil, to reduce operating costs (processing of crude oil to High Sulphur Fuel Oil (HSFO) and Naphtha.
 - Lifting completed during the quarter of 365,355 barrels of HSFO. The previous lifting (337,438 barrels of HSFO) was completed on March 19th 2009.
 - During the quarter crude oil production was 207,884 barrels (compared to 219,625 for the previous quarter) at a daily average of 2,260 BOPD, down from 2,413 BOPD the previous quarter.
 - Inventory available for lifting at September 30th 2009:

▪ Crude Oil	41,973	barrels
▪ HSFO	14,688	barrels (to be mixed with crude oil)
▪ Naphtha	51,098	barrels
 - Wellservices were completed during the quarter on the following wells:
 - Oseil-11
 - Oseil-5
- The Seram (Non Bula) Block Joint Venture met during the Quarter to prepare the 2010 work program and budget. The decisions of the JV will now be submitted to the Indonesian Government for approval. Further exploration and development drilling is planned, subject to Government approval.
- Some 3,000 kilometres of seismic acquired by Sasol Petroleum Papua New Guinea Limited (“SPPNG”) as part of that company’s farmin obligations in Papua New Guinean Petroleum Prospecting Licences 285, 286, 287 and 288, has now been completed and interpretation is underway to delineate prospects for drilling in 2010. Lion Energy Limited, through a wholly owned subsidiary holds an indirect interest of approx. 9.55% in these Licences.

1. **SERAM (NON-BULA) PSC**

LION ENERGY LIMITED, through its wholly owned subsidiary Lion International Investment Limited, holds a 2.5% interest in the Seram (Non Bula) Block Renewal Production Sharing Contract. The major shareholder and Operator of the Joint Venture is CITIC Seram Energy Limited.

The block contains the Oseil oilfield which has since initial field start-up in January 2003, produced cumulative crude oil production of 8,420,203 barrels as at September 30th 2009 and 4.201 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 207,884 barrels of crude oil at a daily average of 2,260 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
Jul 09	68,324	2,204	74,838	4,427
Aug 09	71,610	2,310	56,953	3,765
Sep 09	67,950	2,265	0	0

No HSFO or Naphtha was produced during the month of September 2009, as the decision to permit the Joint Venture a trial sale of crude oil meant that the processing facilities were not required (to process crude oil) and were shut-in at the end of August 2009.

1.2. **OPERATIONS**

Wellservices were carried out on Oseil-11 and Oseil-5 during the Quarter, to replace failed Electric Submersible Pumps (ESP). All wellservices were completed successfully utilizing a contract workover rig.

1.3. TRIAL SALE OF CRUDE OIL

In the past, the Seram (Non Bula) Block Joint Venture has been compelled to sell a refined product of its crude oil outside Indonesia because no Indonesian refineries can process the Bula crude oil due to its high sulphur content.

In an attempt by the Operator to reduce costs of the operation, CITIC on behalf of the Joint Venture, applied to the Indonesian regulatory authority (BP MIGAS) to sell crude oil directly overseas. The Indonesian regulatory authority has approved a trial sale and it is anticipated a shipment of crude oil will be ready for sale during December 2009.

This has the potential to significantly reduce forward operating costs for the Joint Venture in the event that further sales are permitted following the trial.

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.

On June 18th 2008, Farmout Agreements were completed 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 this seismic has now been processed. Interpretation is underway to delineate prospects and identify drilling targets for 2010.

The company remains confident the investment in PPL has significant upside potential. Both corporate and exploration activity in Papua New Guinea continue as global interest focuses on this under explored area.

Enquiries:

Contact Jack Toby (Company Secretary)
Telephone: (08) 9213 4300
Email: info@lionenergy.com.au

Nomenclature:

BCF	Billion cubic feet
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.