
28th April 2010

LION ENERGY LIMITED (“LION”) QUARTERLY ACTIVITIES REPORT Quarter ended 31st March 2010

HIGHLIGHTS FOR THE QUARTER

- **Seram (Non Bula) Block Renewal Production Sharing Agreement:**
 - During the quarter crude oil production was 196,297 barrels (compared to 200,483 for the previous quarter) at a daily average of 2,181 BOPD, steady with 2,179 BOPD the previous quarter.
 - Inventory available for lifting at March 31st 2010 was 196,826 barrels.
 - Following the trial sale of crude oil in December 2009, the Operator has submitted justification to the Indonesian regulatory body for the Joint Venture to continue selling crude oil. By not having to process the crude oil to High Sulphur Fuel Oil (HSFO) and Naphtha, operating costs and lost production are reduced. It is more economic than producing and selling HSFO & Naphtha.
 - Ultra Short Radius Drilling is being performed on two wells in Seram (Non Bula) Block Renewal PSC.
- The first of two Holdback Amounts relating to Lion’s wholly owned subsidiary Lion International Investments Limited divestment of its approx. 19.2% interest in Papua Petroleum Limited (“PPL”) to Talisman Niugini Ltd for a consideration of A\$4,799,783, has been received in the amount of AU\$143,335, after agreed adjustments of AU\$48,656.

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%).

The block contains the Oseil oilfield which had initial field start-up in January 2003 and the Nief Utara A oilfield which was started-up in August 2008, and has since produced cumulative crude oil production of 8,816,983 barrels as at

31 March 2010 and 4.428 BCF of natural gas. Most of the natural gas 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 196,297 barrels of crude oil at a daily average of 2,181 BOPD over the quarter.

FINANCIAL YEAR 2009/2010				
MONTH	CRUDE OIL (BOPM)	CRUDE OIL (BOPD)	HSFO (BOPM)	NAPHTHA (BOPM)
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
Oct 09	67,363	2,173	0	0
Nov 09	64,920	2,164	0	0
Dec 09	68,200	2,200	0	0
Jan 10	69,130	2,230	0	0
Feb 10	61,740	2,205	0	0
Mar 10	65,427	2,111	0	0

No HSFO or Naphtha was produced during the Quarter, 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 it is used only for H2S stripping for Crude Oil since the end of August 2009.

1.2. 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 approved a trial sale which completed on 24 December 2009 with the lifting of 249,887 barrels.

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.

The Operator is negotiating with the Indonesian regulatory authority (BP Migas) to secure approval for ongoing sales of crude oil.

At 31 March 2010, crude oil inventory available for lifting was 196,826 barrels. A lifting cargo is scheduled at the end of May 2010 for approximately 340,000 barrels of Crude Oil.

PAPUA NEW GUINEA

On 8 December 2009, the Company announced Lion International Investment Ltd (LII), a wholly owned subsidiary of Lion Energy Ltd, was one of the vendors which had on 7 December 2009 entered into an agreement with Talisman Niugini Ltd (Purchaser) to sell its 19.199% holding in Papua Petroleum Ltd (PPL) which comprised 20,775,000 ordinary shares in the issued capital in PPL (Share Sale Agreement).

LII originally acquired its interest in PPL on 9 June 2008 for A\$3,000,000.

On 8 January 2010, the Company announced LII had received AU\$4,415,800 in cash. An additional A\$383,983 was held in escrow as LII's proportionate share of the Holdback Amounts.

The sale of LII's interest in PPL included provision for two holdback amounts from the total sale proceeds:

- AU\$2,000,000 in total was required to be placed into a trust account pending the occurrence of certain events (Holdback Amounts). LII received AU\$4,415,800 at completion with AU\$383,983 held in escrow as LII's proportionate share of the Holdback Amounts.
- The Holdback amounts comprise two amounts of AU\$1,000,000 each. The first Holdback Amount was to cover any discrepancies in the completion accounts to be prepared by the Purchaser within 90 days of completion.

On 29 March 2010, LII received AU\$143,335 as its share of the first holdback amount. The amount expected was AU\$191,991 was adjusted by AU\$48,656. Full explanation for the adjustments has been presented to and accepted by LII.

The second Holdback Amount (of AUD\$191,991) remains outstanding.

Enquiries:

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Nomenclature:

BCF Billion cubic feet
BOPD Barrels of oil per day
BOPM Barrels per month

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.