

LION ENERGY LIMITED  
ABN 51 000 753 640

NOTICE OF GENERAL MEETING  
and  
EXPLANATORY MEMORANDUM  
and  
PROXY FORM

For the General Meeting to be held on  
Tuesday 22 November 2005 at 2:30pm (WST) at  
Ground Floor, 45 Ventnor Avenue,  
West Perth,  
Western Australia

*This is an important document. Please read it carefully.*

*If there is any matter that you do not understand, you should contact your  
financial adviser, stockbroker or solicitor.*

## TIME AND PLACE OF MEETING AND HOW TO VOTE

### Venue

A General Meeting of the Shareholders of Lion Energy Limited will be held at:

Ground Floor  
45 Ventnor Avenue  
West Perth WA 6005  
WESTERN AUSTRALIA

Commencing at  
2:30 pm (WST)  
on 22 November 2005

### How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

### Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 2:30 pm (WST).

### Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice as soon as possible and either:

- (a) send the proxy form by facsimile to the Company on facsimile number (08) 9429 8800 (International: + 61 8 9429 8800);
- (b) deliver the proxy form to the Company's registered office at 45 Ventnor Avenue, West Perth, Western Australia; or
- (c) deliver the proxy form to the Company's Share Registry, Computershare Investor Services Pty Ltd, Level 2 Reserve Bank Building, 45 St Georges Terrace, Perth, Western Australia on facsimile number (08) 9323 2033 (International: + 61 8 9323 2033).

so that it is received not later than 2:30 pm (WST) on 20 November 2005.

Your proxy form is enclosed.

LION ENERGY LIMITED  
ABN 51 000 753 640

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Lion Energy Limited (Lion or Company) will be held at Ground Floor, 45 Ventnor Avenue, West Perth, Western Australia, at 2:30 pm (WST) on 22 November 2005.

AGENDA

BUSINESS

The Explanatory Memorandum which accompanies and forms part of this Notice describes the matters to be considered as special business.

ORDINARY BUSINESS

Resolution 1 –Ratification of Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*“That, for the purpose of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, shareholders ratify the allotment and issue of 295,103,500 fully paid ordinary shares in the Company at an issue price of \$0.01(1 cent) each on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

Short Explanation: An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total shares on issue in any 12 month period. Please refer to the Explanatory Memorandum for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who participated in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 –Conversion of Convertible Notes

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, shareholders approve the conversion to ordinary shares of Convertible Notes in the amount of \$1,500,000 at a conversion factor calculated by dividing that part of the amount provided as an advance pursuant to the Convertible Note divided by .25 cents on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

Short Explanation: Under the Listing Rules, the Company may seek Shareholder approval prior to a placement to allow it the flexibility to make future issues of securities up to the threshold of 15% of

its total ordinary securities in any 12 month period. Pursuant to the Convertible Note up to 600,000,000 Shares may be issued on conversion of a Convertible Note taking the issue over the 15% threshold. Please refer to the Explanatory Memorandum for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons.

### Resolution 3 – Issue of Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, shareholders approve the allotment and issue of 400,000,000 fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Under the Listing Rules, the Company must seek Shareholder approval prior to issuing 15% or more of its total ordinary securities in any 12 month period. Please refer to the Explanatory Statement for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons.

DATED THIS 12th DAY OF OCTOBER 2005  
BY ORDER OF THE BOARD

JACK TOBY  
COMPANY SECRETARY

NOTES:

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. This date is the close of business on 20<sup>th</sup> November 2005.

LION ENERGY LIMITED  
ABN 51 000 753 640

EXPLANATORY MEMORANDUM

This Explanatory Memorandum and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact the Company, your financial adviser, your stockbroker or solicitor.

1. RESOLUTION 1 – RATIFICATION OF ISSUE OF SHARES

1.1 Background

On 13 December 2004, the Company announced that a placement of 295,103,500 fully paid ordinary shares would be arranged to raise \$2,951,035. The shares were issued at 1 cent per share on 13 December 2004. The shares were issued to sophisticated and professional investors as defined in 708(s) of the Corporations Act and therefore no disclosure document was needed.

The funds raised were to provide funds for the purchase of 20% of Petro Real Main Pass.

1.2 ASX Listing Rules

The shares were issued within the 15% annual limit permitted under ASX Listing Rule 7.1 without shareholder approval. The effect of shareholders passing resolution 1 set out in the Notice of Meeting, therefore, will be to restore the Company's ability to issue shares (or options) within that limit, to the extent of the 295,103,500 shares referred to above.

ASX Listing Rule 7.4.2 provides that where a company in general meeting ratifies the previous issue of securities, those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) The number of securities issued was 295,103,500 Shares;
- (b) the Shares were issued to investors set out below

BB Nominees Pty Ltd	30,000,000
Berne No 132 Nominees Pty Ltd	120,000,000
Roderick Lovibond	2,000,000
Angelo Mercorella & Maria Mercorella	1,500,000
Reina Nominees Pty Ltd	120,000,000
Taycol Nominees Pty Ltd	21,603,500

295,103,500

None of these parties are related parties of the Company.

- (c) the issue price of the Shares was \$0.01 (1 cent);
- (d) an amount of \$2,951,035 was raised from the issue. These funds were to be used for the purchase of a 20% interest in Petro Real Main Pass.
- (e) the rights attaching to the Shares are the same as those already on issue.

## 2. RESOLUTION 2 – CONVERSION OF CONVERTIBLE NOTES

### 2.1 Background

The Company has issued convertible notes for an amount of \$1,500,000 with an interest rate of 10% per annum (Convertible Notes).

### 2.2 ASX Listing Rules

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities in any 12 month period. The limitation is to 15%.

The Convertible Notes the subject of Resolution 2 if converted to Shares would exceed the 15% limit.

Accordingly one of the purposes of Resolution 2 is to meet the requirement of Rule 7.1 of the Listing Rules that an issue of securities can exceed the 15% threshold if the issue receives the approval of the holders or ordinary securities in the Company by ordinary resolution.

Rule 7.3 of the Listing Rules contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) the amount of funds raised by the Convertible Notes is \$1,500,000. A Convertible Note will convert into the number of fully paid ordinary shares calculated by dividing that part of the amount provided as an advance pursuant to the Convertible note divided by the .25 cents. Up to 600,000,000 Shares may be issued if the resolution is approved;
- (b) the Convertible Notes were issued to sophisticated and professional investors as defined in 708(s) of the Corporations Act and therefore no disclosure document was needed. The Convertible Notes were issued to the parties set out below.

Ian Tchacos	\$50,000
A H & E M Blaquiere	\$100,000
Barchester Pty Ltd	\$200,000
Carston Peterson	\$100,000

Colin Earl Garnsworthy & Burnice Anne Bennett	\$45,000
Robert Rankin	\$50,000
Evalon Investments	\$200,000
Mocter Pty Ltd	\$85,000
Jungar Holdings Pty Ltd	\$50,000
Karen Anne Spencer	\$50,000
Golden Dragon Capital Management	\$200,000
Kenneth John Bull	\$100,000
Westessa Holdings Pty Ltd	\$25,000
Ioma Pty Ltd	\$25,000
Douglas Financial Consultants	\$50,000
Berne No-132 Nominees Pty Ltd (Account 407414)	\$50,000
Berne No-132 Nominees Pty Ltd (Account 251928)	\$25,000
Tricom Nominees Pty Ltd (LPG Account)	\$50,000
P. Grenville Schoch	\$25,000
Weranga Pastoral Company	\$10,000
Harro Pty Ltd	\$10,000

None of these parties are related parties of the Company.

- (c) the terms of the Convertible Notes are outlined in Annexure A to this Notice;
- (d) if the resolution to approve the conversion of the Convertible Notes to Shares is not successful, the Convertible Notes are repayable by the Company one year from the date of provision of the advance under the Convertible Note or such earlier date as the Company may elect.
- (e) an amount of \$1,500,000 was raised from the issue of the Convertible Notes. These funds will be applied to the repayment of existing debt and working capital.

### 3. RESOLUTION 3 – ISSUE OF SHARES

#### 3.1 Background

The Company proposes issuing 400,000,000 Shares through a placement.

### 3.2 ASX Listing Rules

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities in any 12 month period. The limitation is to 15%.

The issue of the Shares the subject of Resolution 3 would exceed that limit.

Accordingly one of the purposes of Resolution 3 is to meet the requirement of Rule 7.1 of the Listing Rules that an issue of securities can exceed the 15% threshold if the issue receives the prior approval of the holders of ordinary securities in the Company by ordinary resolution.

Rule 7.3 of the Listing Rules contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) the Company will issue a maximum of 400,000,000 Shares;
- (b) the allottees of the Shares is unknown;
- (c) the minimum issue price of the Shares will be 80% of the average market price for Shares calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue was made, or if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date of the prospectus, Product Disclosure Statement or offer information statement is signed;
- (d) the Shares will be issued no later than 3 months after the date of this Meeting (or such later date as permitted by any ASX waiver or modification to the Listing Rules);
- (e) it is intended that allotment of the Shares will occur progressively;
- (f) the terms and conditions of the Shares will be the same as the Shares in the Company already on issue and will from the date of issue rank equally in all respects with all of the Shares of the Company already on issue including the right to participate in any dividends paid or declared after the date of issue; and
- (g) funds raised by the issue of Shares will be put towards expenditure on the Company's oil and gas interests and for general working capital.

None of the allottees will be related parties of the Company.

### 4. ENQUIRIES

Shareholders are invited to contact the Company Secretary, Mr Jack Toby on (08) 9429 8874 if they have any queries in respect of the matters set out in this Notice.

## GLOSSARY

ASX means Australian Stock Exchange Limited (ACN 008 624 691).

ASIC means the Australian Securities and Investments Commission.

Company or Lion means Lion Energy Limited (ABN 51 000 753 640).

Convertible Notes means the convertible notes issued by Lion the subject of resolution2.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum included in this document.

Listing Rules means the official listing rules of ASX.

Meeting means the meeting convened by the Notice.

Notice means the notice of meeting included in this document.

Option means an option to acquire a Share.

Resolution means a resolution contained in the Notice.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a holder of Shares.

WST means Western Standard Time.

## ANNEXURE A

### Convertible Note Terms and Conditions Sheet

Issuer	Lion Energy Limited
Total Value of Notes to Be Issued	\$1,500,000
Interest	10% p.a. fixed
Interest Payment Dates	Paid quarterly in arrears with a final payment on the Maturity Date. Interest is accruable and in the event that Conversion occurs between Interest Payment Dates, accrued interest will be paid on a pro rata basis.
Maturity Date	On one year from issue the Convertible Notes will mature and be repaid by the Company by repayment to the Convertible Note holder of the Face Value, upon such occurrence the Convertible Note will be cancelled.
Conversion	Convertible Notes may be converted at any time into fully paid ordinary shares upon election by the Convertible Note holder to do so, provided that such election is in writing and given to the Company on or prior to the Maturity Date (Conversion Notice). Conversion will be deemed to occur on, and subsequently take effect from, the first Interest Payment Date following receipt by the Company of the Conversion Notice.
Conversion Factor	Upon conversion a Convertible Note will convert into the number of fully paid ordinary shares calculated by dividing that part of the amount provided as an advance pursuant to the Convertible note divided by the Conversion Price and all such shares will rank parri passu in all respects with the existing ordinary shares in the Company.
Conversion Price	\$0.0025 0.25 cent
Information Rights	Convertible Note holders will receive copies of all information which the company sends to its shareholders.
Voting and Participation Rights	The Convertible Notes are non-voting (unless otherwise required by the ASX Listing Rules of the Corporations Act) and do not carry any entitlement to participate in any rights issue, returns of capital, bonus issue or capital reconstruction. The conversion rights may be adjusted in the case of a capital return, bonus issue or capital reconstruction.
Security	The Convertible Notes hold a fixed and floating first ranking charge over the company.
ASX	<b>The Company will not apply to the ASX for quotation of the Convertible Notes. Upon conversion of a Convertible Note the Company will apply for quotation of the shares issued pursuant to the Conversion.</b>
No Approval Obtained	<b>If approval from shareholders for conversion of the Convertible Notes to ordinary shares is not obtained the notes are repayable on the Maturity Date or such earlier date as the Company elects.</b>

PROXY FORM

APPOINTMENT OF PROXY  
LION ENERGY LIMITED  
ABN 51 000 753 640

GENERAL MEETING

Appointment of Proxy

I/We

[Empty box for I/We name]

being a Member of Lion Energy Limited entitled to attend and vote at the Meeting, hereby

Appoint

[Empty box for Name of proxy]

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Ground Floor, 45 Ventnor Avenue, West Perth, Western Australia on 22 NOVEMBER 2005 at 2:30 pm (WST) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of each resolution.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Conversion of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do not wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

By: \_\_\_\_\_  
Individuals and joint holders \_\_\_\_\_ Companies (affix common seal if appropriate)

Signature

Sole Director and Sole Company Secretary

Signature

Director/Company Secretary

Signature

Director

LION ENERGY LIMITED  
ABN 51 000 753 640

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. You can deliver the proxy form to the Company's Share Registry, Computershare Investor Services Pty Ltd, Level 2 Reserve Bank Building, 45 St Georges Terrace, Perth, Western Australia on facsimile number (08) 9323 2033 (International: + 61 8 9323 2033).