

17 November 2005

Dear Shareholder

Lion Energy's new Board is keen to inform shareholders of the Company's position and the Board's recent actions to ensure the Company's value.

The new Board has been dealing with some significant issues over the last three months:

- A complete change of management following the resignation of former Board members and the former Company Secretary
- The Company has been under suspension by the Australian Stock Exchange
- The Company being in default of its cash calls
- The questionable recoverability of significant cash deposits
- Uncertainty of the Company's liquidity as a result of the above
- A stream of ASIC enquiries and directives

Urgent tasks handled by the new Board

The new Directors and Company Secretary were appointed in August 2005. Julian Waterman was appointed in June 2005. Russell Brimage has had experience of the company's operations as he has worked with the Company for some time.

Following the above appointments, the new Board had to urgently appraise the status of the Company and its operations. This has taken an extraordinary amount of time on account of a number of complex issues involved, including recoverability of the company's assets.

There was an urgent need to establish a stable cash position for the Company's future activities.

In addition, a number of corporate issues had to be resolved.

The Directors have been dealing with all of these issues, and have also complied with all of ASIC'S directives to provide information to assist in its investigations.

Currently:

- The new Board has been working to restore all of the Company's oil and gas interests to good standing through negotiations with the operators. It is working to resolve the default situation and ensure the Company suffers no detriment as a consequence.
- Payment of outstanding cash calls are being negotiated. The Board has raised \$1.4 million through Convertible Notes which have been taken up by sophisticated investors.

- The Company's cash position has been restored to an acceptable level.
- Loans with uncertain recoverability have been written off in the Company accounts to enable the Company to move forward. Nevertheless, the Board is committed to taking action to retrieve outstanding funds where possible.
- The Company has now concluded the sale of its Bula assets.
- The Company's audited accounts have been distributed to shareholders. The Annual General Meeting will be held at Ground Floor, 45 Ventnor Avenue, West Perth, Western Australia at 10.30am (WST) on 21 December 2005.

The new Board members

Russell Brimage (Chairman): Russell Brimage has in excess of 30 years experience in the upstream oil and gas industry. He was a founding Director of Oilserv Australia Limited, a company providing drilling, well testing and production services. Prior to joining Lion Energy he was Chief Executive of Western Resources NL and General Manager of a Western Australian gas field operator.

Paul Garner (Executive Director): Paul Garner has extensive experience in international business and over 30 years experience in the property and equities market. Paul has also been a director of other public companies.

Information updates online

All Company announcements are accessible on the Australian Stock Exchange Ltd website at www.asx.com.au under the company code: **LIO**. Key announcements also appear on the company's website at www.lionenergy.com.au.

The way ahead

As evidenced above, the new Board is fully committed to acting effectively on behalf of shareholders in order to move the Company ahead into a rewarding future.

The Company looks forward to reporting on further developments at the Annual General Meeting.

Russell Brimage
Chairman