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25 November 2011

Company Announcements
ASX Limited

LION ENERGY LIMITED ANNOUNCES OFFER TO SELECTIVELY BUY-BACK 61,734,292 SHARES FROM SIX SHAREHOLDERS

Lion Energy Limited (ASX Code:LIO) (**Company or Lion**) has made an offer to six of its shareholders (**Participating Shareholders**) to selectively buy-back 61,734,292 ordinary shares in the Company (**Shares**) (ie approximately 65% of the Share capital in the Company) (**Buy-Back Shares**) to restructure and recapitalise the Company (**Buy-Back Offer**).

The Board, other than Mr Wu who is a Participating Shareholder and therefore has an interest in the Buy-Back Offer, considers that the Participating Shareholders hold a vision for the Company that is inconsistent with the Company's profile as an Australian-incorporated, ASX-listed oil and gas company. This prevents the Company from being able to aggressively pursue opportunities consistent with that profile.

Therefore, the Board, other than Mr Wu, is seeking to restructure and recapitalise the Company, to focus on its core business of oil and gas exploration, development and production and investment in the resources industry.

As required by section 257G of the Corporations Act 2001 (Cth), the Company has sent to the Participating Shareholders and lodged with ASIC an information statement setting out all information known to the Company that is material to the decision of the Participating Shareholders as to whether to accept the Buy-Back Offer including an independent expert's report prepared by Stantons International Pty Ltd (**Stantons**).

Stantons has concluded that the Buy-Back Offer is not fair or reasonable to Shareholders not associated with the Participating Shareholders as the value of the consideration proposed to be given to the Participating Shareholders is greater than the value of the Buy Back Shares.

Stantons has stated in its independent expert's report that some Shareholders may consider the retirement of the Participating Shareholders from the Share register of the Company that will allow the Company to focus on its core business of oil and gas exploration, development and production and investment in the resources industry to be reasonable notwithstanding that there is a significant cash loss to the Lion Group.

Stantons has also concluded that the Buy-Back Offer does not materially prejudice the Company's ability to pay its creditors.

Under the Buy-Back Offer, the Company has offered to the Participating Shareholders as consideration for the Buy-Back Shares:

- a) USD\$200,000;
- b) 100% of the shares in Lion Nanning Petro-Chemical Limited (a wholly owned subsidiary of the Company) (**Lion Nanning**); and
- c) an assignment of the debt of CNY37,035,353 (approximately AUD\$5,547,952) owed by Lion Nanning to Lion International Investment Limited (another wholly owned subsidiary of the Company) (**LII**).

Under the Buy-Back Offer, it is proposed that Mr Wu (one of the Participating Shareholders) will assume the liability for USD\$500,000 (approximately AUD\$500,000) and CNY2,200,000 (approximately AUD\$334,400) in respect of the evaluation of a petrochemical project and a solar project the Company was considering acquiring an interest in (respectively) but subsequently abandoned.

Upon completion of the Buy-Back Offer it is proposed that Mr Wu will resign from the Boards of the Company and LII. The Board then intends to appoint a new director (to be determined by the Board) in place of Mr Wu at that time.

The Buy-Back Offer is conditional on the Company obtaining Shareholder approval for the selective buy-back in accordance with the requirements of the Corporations Act 2001 (Cth), completion of a capital raising of AUD\$1,000,000 (by way of a placement, rights issue or otherwise) and the Board determining that completion of the selective buy-back will not materially prejudice the interests of the Company's creditors.

Accordingly, the Company intends to undertake a placement of 14,174,063 Shares at an issue price of AUD\$0.02 per Share to sophisticated and professional investors who are clients of Pendulum Capital Pty Limited (**Pendulum Capital**) and are not related parties of the Company to raise AUD\$283,481 (**Initial Placement**).

Pursuant to ASX Listing Rule 3.10.3 the Company provides the following information with respect to the Initial Placement:

- a) the Company proposes to issue up to 14,174,063 Shares;
- b) the Shares will be issued on the same terms as all other Shares currently on issue;
- c) the issue price of the Shares will be AUD\$0.02;
- d) the purpose of the issue is to fund the restructure of the Company (including the proposed selective buy-back);
- e) the Company intends to seek ASX Listing Rule 7.4 shareholder ratification for the issue of the Initial Placement Shares; and

- f) the Initial Placement Shares will not be issued to a particular class of security holders but will be issued to sophisticated and professional investors who are clients of Pendulum Capital and are not related parties of the Company.

Stantons prepared its independent expert's report to include the issue of the Initial Placement Shares, given that, when the notice of meeting seeking shareholder approval for the selective buy-back (which will include Stantons' report) (**Notice**) is sent to shareholders, the Initial Placement will have already occurred. As set out above, the Company intends to seek ASX Listing Rule 7.4 ratification for the issue of the Initial Placement Shares at that meeting.

The Company also intends to undertake the following capital raisings relating to the proposed restructure of the Company and for each raising provides the information required by ASX Listing Rule 3.10.3:

- a) issue of 14,174,063 options to acquire Shares (**Options**) to Initial Placement participants. These are free attaching Options to the Initial Placement participants:
 - i) the Company proposes to issue up to 14,174,063 Options;
 - ii) the Options will be exercisable at AUD\$0.03, will expire on 31 December 2013 and the holder will receive 1 Share upon exercise;
 - iii) the Options will be issued for no consideration;
 - iv) the purpose of the issue is to fund the restructure of the Company (including the proposed selective buy-back);
 - v) the issue of the Options will be subject to ASX Listing Rule 7.1 Shareholder approval; and
 - vi) the Options will not be issued to a particular class of security holders but will be issued to the Initial Placement participants.
- b) issue of 50,000,000 Shares at AUD\$0.02 per Share;
 - i) the Company proposes to issue up to 50,000,000 Shares;
 - ii) the Shares will be issued on the same terms as all other Shares currently on issue;
 - iii) the issue price of the Shares will be AUD\$0.02;
 - iv) the purpose of the issue is to fund the restructure of the Company (including the proposed selective buy-back);
 - v) the issue of the Shares will be subject to ASX Listing Rule 7.1 Shareholder approval; and
 - vi) the Company has not yet identified parties who may take up Shares pursuant to this issue but they will be issued to sophisticated and professional investors who

- are clients of Pendulum Capital and are not related parties of the Company (except in the case of Russell Brimage if Shareholders approve the issue of those Shares to Mr Brimage under a separate resolution);
- c) issue of 50,000,000 Shares at at not less than AUD\$0.03 per Share;
 - i) the Company proposes to issue up to 50,000,000 Shares;
 - ii) the Shares will be issued on the same terms as all other Shares currently on issue;
 - iii) the issue price of the Shares will be not less than AUD\$0.03 per Share;
 - iv) the purpose of the issue is to fund the restructure of the Company (including the proposed selective buy-back);
 - v) the issue of the Shares will be subject to ASX Listing Rule 7.1 Shareholder approval; and
 - vi) the Company has not yet identified parties who may take up Shares pursuant to this issue but they will be issued to sophisticated and professional investors who are clients of Pendulum Capital and are not related parties of the Company;
 - d) issue of 80,000,000 Options at an issue price of AUD\$0.001 per Option with an exercise price of AUD\$0.03;
 - i) the Company proposes to issue up to 80,000,000 Options;
 - ii) the Options will be exercisable at AUD\$0.03, will expire on 31 December 2013 and the holder will receive 1 Share upon exercise;
 - iii) the Options will be issued for AUD\$0.001 per Option;
 - iv) the purpose of the grant is to fund the restructure of the Company (including the proposed selective buy-back);
 - v) the grant of the Options will be subject to ASX Listing Rule 7.1 Shareholder approval; and
 - vi) the Company has not yet identified parties who may be issued Options under this Option placement but they will be issued to sophisticated and professional investors who are clients of Pendulum Capital and are not related parties of the Company (except in the case of Russell Brimage if Shareholders approve the issue of those Options to Mr Brimage under a separate resolution);
 - e) a pro rata rights issue to Shareholders on the basis of 1 Share for every 2 Shares held at an issue price of AUD\$0.02 to raise AUD\$1,086,678 before costs (**Rights Issue**). Subscribers to the Rights Issue will also receive one free Option for each Share issued. Please see attached Appendix 3B;
 - f) issue of Options to the underwriter of the Rights Issue;

- i) the Company proposes to issue 4,000,000 Options;
- ii) the Options will be exercisable at AUD\$0.03, will expire on 31 December 2013 and the holder will receive 1 Share upon exercise;
- iii) the Options will be issued for no consideration;
- iv) the issue of the Options will be subject to ASX Listing Rule 7.1 Shareholder approval; and
- v) the Options will be issued to Pendulum Capital or its nominee in part payment for its services as underwriter of the Rights Issue.

It is intended that the Notice will seek the Shareholder approvals required to undertake the capital raisings as set out in this announcement.

As required by ASX Listing Rule 3.8A, an Appendix 3C is attached to this announcement.

For further information contact Mr Jack Toby, Company Secretary on +61 8 9213 4300.

Russell Brimage
Director

Appendix 3C

Announcement of buy-back (*except* minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity	ABN/ARSN
Lion Energy Limited	51 000 753 640

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	Selective buy back
2	⁺ Class of shares/units which is the subject of the buy-back (<i>eg, ordinary/preference</i>)	Ordinary Shares
3	Voting rights (<i>eg, one for one</i>)	One for one
4	Fully paid/partly paid (<i>and if partly paid, details of how much has been paid and how much is outstanding</i>)	Fully Paid
5	Number of shares/units in the ⁺ class on issue	94,493,754
6	Whether shareholder/unitholder approval is required for buy-back	Special resolution shareholder approval is required
7	Reason for buy-back	To restructure and recapitalise the company

⁺ See chapter 19 for defined terms.

- 8 Any other information material to a shareholder's/unitholder's decision whether to accept the offer (eg, details of any proposed takeover bid)
- The shareholders will receive as consideration US\$200,00, 100% of the shares in Lion Nanning and an assignment of the debt owed by Lion Nanning to LII, and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying the notice of shareholder meeting to approve the buy-back.

On-market buy-back

- 9 Name of broker who will act on the company's behalf
- NOT APPLICABLE
- 10 Deleted 30/9/2001.
- 11 If the company/trust intends to buy back a maximum number of shares - that number
- Note: This requires a figure to be included, not a percentage.
- NOT APPLICABLE
- 12 If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention
- NOT APPLICABLE
- 13 If the company/trust intends to buy back shares/units if conditions are met - those conditions
- NOT APPLICABLE

Employee share scheme buy-back

- 14 Number of shares proposed to be bought back
- NOT APPLICABLE
- 15 Price to be offered for shares
- NOT APPLICABLE

Selective buy-back

16	Name of person or description of class of person whose shares are proposed to be bought back	Mrs Wenmei Hu Mr Yuda Chen Mr Xianjun Yang Mr Jian Wu (Director) Mr Tianxing Zheng Ms Ling Gu
17	Number of shares proposed to be bought back	61,734,292
18	Price to be offered for shares	The shareholders will receive as consideration US\$200,00, 100% of the shares in Lion Nanning and an assignment of the debt owed by Lion Nanning to LII, and otherwise on the terms and conditions set out in the accompanying Explanatory Memorandum accompanying the notice of shareholder meeting to approve the buy-back.

Equal access scheme

19	Percentage of shares proposed to be bought back	NOT APPLICABLE
20	Total number of shares proposed to be bought back if all offers are accepted	NOT APPLICABLE
21	Price to be offered for shares	NOT APPLICABLE
22	⁺ Record date for participation in offer Cross reference: Appendix 7A, clause 9.	NOT APPLICABLE

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.

or, for trusts only:

1. The trust is in compliance with all requirements of the Corporations Act as modified by Class Order 07/422, and of the trust's constitution, relevant to this buy-back.

⁺ See chapter 19 for defined terms.

2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign here: Date: 25 November 2011
(Director/Company secretary)

Print name:Jack Toby (Company Secretary)

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Lion Energy Limited

ABN

51 000 753 640

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | (a) Ordinary Shares
(b) Listed Options
(pursuant to a pro rata Entitlement Issue)
(c) Listed Options
(to be issued to Underwriter pursuant to a pro rata Entitlement Issue) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) Up to 54,333,909
(b) Up to 54,333,909
(c) 4,000,000 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<p>(a) Shares to rank equally with existing ordinary shares on issue. (b) Exercisable at \$0.03 on or before 31 December 2013 (c) Exercisable at \$0.03 on or before 31 December 2013</p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>(a) Yes (b) No, the Listed Options will form a new class of securities with any ordinary shares issued as a result of the exercise of any Listed Options to rank equally with existing ordinary shares on issue. (c) No, the Listed Options will form a new class of securities with any ordinary shares issued as a result of the exercise of any Listed Options to rank equally with existing ordinary shares on issue.</p>
<p>5 Issue price or consideration</p>	<p>(a) \$0.02 (b) NIL (c) NIL</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>(a) and (b): To provide funds for the Company's proposed restructure including a selective buy-back of the Company's shares. (c): Options to be issued to Underwriter pursuant the pro rata Entitlement Issue. The issue of these options is subject to obtaining any required shareholder approval.</p>
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>(a) and (b): to be advised. (c): At a date to be agreed between the Company and the Underwriter. The issue of these options is subject to obtaining any required shareholder approval.</p>

+ See chapter 19 for defined terms.

	Number	+Class
8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	Fully paid ordinary shares
	148,827,663	
	58,333,909	Options exercisable at \$0.03 on or before 31 December 2013

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	
	Nil	

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A
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Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	(a) One (1) New Share for every Two (2) shares held (b) One (1) free Attaching Option for every One (1) New Share issued
14	+Class of +securities to which the offer relates	(a) Fully paid ordinary shares (b) Options
15	+Record date to determine entitlements	To be advised
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

17	Policy for deciding entitlements in relation to fractions	Fractional entitlements will be rounded up to the nearest whole number
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with.</small> <small>Cross reference: rule 7.7.</small>	Shareholders that do not have a registered address within Australia or New Zealand
19	Closing date for receipt of acceptances or renunciations	To be advised
20	Names of any underwriters	Pendulum Capital Pty Limited
21	Amount of any underwriting fee or commission	An underwriting fee of 6% of the cash raised. Pendulum Capital Pty Limited will also be issued with 4,000,000 options exercisable at \$0.03 on or before 31 December 2013.
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	N/A
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	To be advised
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	To be advised

⁺ See chapter 19 for defined terms.

28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do *security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do *security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do *security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	*Despatch date	To be advised

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities – Documents to be provided with subsequent Appendix 3B

Tick to indicate you are providing the information or documents

35 If the *securities are *equity securities, the names of the 20 largest holders of the additional *securities, and the number and percentage of additional *securities held by those holders

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought
- 39 Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?
- If the additional securities do not rank equally, please state:
- the date from which they do
 - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
-
- 41 Reason for request for quotation now
- Example: In the case of restricted securities, end of restriction period
- (if issued upon conversion of another security, clearly identify that other security)
-

+ See chapter 19 for defined terms.

