



15 RHEOLA ST, WEST PERTH
WESTERN AUSTRALIA 6005
PO BOX 512, WEST PERTH
WESTERN AUSTRALIA 6872
TELEPHONE: +618 9213 4300
FACSIMILE: +618 9213 4311
ABN 51 000 753 640

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Company Announcements
ASX Limited

UPDATE REGARDING SOLAR PROJECT INVESTMENT

On 16 November 2011, Lion Energy Limited ("**LIO**" or "**Company**") announced that the Board had resolved to pursue a new investment in a solar energy plant located in Qinghai, China ("**Solar Project**") through its wholly owned subsidiary, Lion Nanning Petro-Chemical Limited ("**Lion Nanning**").

Through a conditional share purchase agreement dated 16 November 2010 ("**Share Purchase Agreement**"), Lion Nanning proposed to acquire 38,000,000 fully paid shares in the project company, Qinghai First New Energy Limited ("**FNE**") from Shanghai Lion for CNY38,000,000 (approximately AUD\$6 million based on an exchange rate of A\$1 = CNY 6.2265) ("**Proposed Transaction**").

The Proposed Transaction would have involved a significant change in the nature and scale of LIO's activities, and as a consequence LIO was in the process of preparing meeting documentation for the purposes of seeking shareholder approval for the investment in the Solar Project.

Following consultation with ASX, the Company has today been advised by ASX that in ASX's opinion Listing Rule 10.7 will apply to the Proposed Transaction, and that ASX will not grant a waiver to Listing Rule 10.7. Listing Rule 10.7 provides that if an acquisition to which Listing Rule 10.1 applies is of a classified asset, the consideration must be restricted securities.

ASX is of the opinion that the shares in FNE to be acquired by Lion Nanning are "classified assets" because they cannot be valued, as the value of FNE cannot be determined by an independent expert.

Listing Rule 10.1 is triggered in respect of the Proposed Transaction because Shanghai Lion is controlled by Mr Yuda Chen (and is therefore an associate of Mr Chen), and Mr Chen is also a substantial shareholder of LIO who holds marginally above the 10% threshold for determining a substantial shareholder under the Listing Rules (with a relevant interest in 10.58% of the shares in LIO). Mr Chen is not a director of LIO and has never been a director LIO, and he plays no part in, nor has any influence over, the decision making process of LIO.

The effect of ASX's determination is that the Company will be unable to proceed with the Proposed Transaction as it would require the Company to issue restricted securities

to Shanghai Lion instead of cash consideration. The terms of the Share Purchase Agreement which were previously agreed with Shanghai Lion do not allow for consideration to be provided in the form of restricted securities.

Consequently, the Company regrettably announces that it will no longer be pursuing the proposed investment in the Solar Project. The Company will continue to seek alternative opportunities for the Company which are in the best interests of its shareholders.

Jack Toby
Company Secretary

ENQUIRIES:

Jack Toby
Company Secretary
Telephone: +61 8 9213 4300
Email: info@lionenergy.com.au