



GROUND FLOOR, CANUTE HOUSE
15 RHEOLA STREET
WEST PERTH, WESTERN AUSTRALIA 6005
TELEPHONE: +618 9213 4300
FACSIMILE: +618 9213 4311
ABN 51 000 753 640

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Company Announcements
ASX Limited

SOLAR PROJECT INVESTMENT AND RECOMPLIANCE WITH LISTING RULES

Lion Energy Limited ("**LIO**" or "**Company**") is pleased to announce that the Board has 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**").

The investment in the Solar Project will, if LIO proceeds, involve a significant change in the nature and scale of LIO's activities, and as a consequence LIO will be seeking shareholder approval for the investment in the Solar Project. If shareholder approval is obtained, LIO will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

An overview of the Solar Project and the proposed process for seeking shareholder approval and re-complying with Chapters 1 and 2 of the ASX Listing Rules is set out below.

OVERVIEW OF SOLAR PROJECT INVESTMENT

1. Structure of Proposed Investment

The Company currently participates in exploration and production in the upstream oil and gas sector. At this stage, the Company's participation in this sector is solely through its wholly-owned subsidiary, Lion International Investment Limited ("**LII**").

Lion Nanning is a wholly-owned subsidiary of LII, registered in the People's Republic of China and it currently has cash of over CNY 38,000,000 in an account with the Bank of Communication in China.

In addition to its interest in LII and Lion Nanning, the Company holds 100% of the fully paid ordinary shares in the capital of Lion Energy Limited USA, Inc, a company incorporated in Delaware, the United States of America. While Lion Energy Limited USA, Inc is not currently engaged in any oil and gas activities, the Company may look for new projects (via Lion Energy Limited USA, Inc) in the future.

Through Lion Nanning, the Company is seeking to acquire an interest in the Solar Project, located in Qinghai, China, which is outside the scope of its current activities in oil and gas.

Qinghai First New Energy Limited ("**FNE**") is the project company, which is a company incorporated in the People's Republic of China ("**PRC**") that plans to construct a 1000MW solar thermal power plant in Qinghai's Gobi Desert. Construction is scheduled to commence in the first half of 2011.

Shanghai Lion Solar Technology Development Ltd ("**Shanghai Lion**") currently holds 51% of FNE. Shanghai Lion is controlled by Mr Yuda Chen and is an associate of Mr Yuda Chen. Mr Yuda Chen is a substantial shareholder of LIO (with a current shareholding of 10.58% of LIO).

Through a conditional share purchase agreement dated 16 November 2010 ("**Share Purchase Agreement**"), Lion Nanning proposes to acquire 38,000,000 fully paid shares in FNE ("**FNE Shares**") from Shanghai Lion for CNY38,000,000 (approximately AUD\$6 million based on an exchange rate of A\$1 = CNY 6.2265). Upon completion of the acquisition, Lion Nanning will have an interest of approximately 38% in FNE.

Completion of the purchase of the FNE Shares under the Share Purchase Agreement is conditional upon a number of key conditions being satisfied as follows:

- (a) LIO obtaining all approvals, consents or waivers from the ASX which are required to be obtained in respect of the acquisition of FNE Shares.
- (b) LIO obtaining any shareholder approvals which are required for the acquisition of FNE Shares, including any approval for the purposes of the ASX Listing Rules. Shareholder approval will be required under Listing Rules 11.1.2 because the investment in the Solar Project will result in a significant change in the nature and scale of LIO's activities. Shareholder approval will also be sought under Listing Rule 10.1 because the acquisition is from Shanghai Lion, which is an associate of Yuda Chen, a substantial shareholder in LIO.
- (c) Shanghai Lion obtaining the prior consent of the other shareholders of FNE under FNE's Articles of Association to the transfer of the FNE Shares to Lion Nanning. If any existing FNE shareholder does not provide its consent within 30 days from the date of receiving written notice of the proposed transfer of FNE Shares, they will be deemed to have provided their consent. Any shareholder that does not provide its consent must purchase the FNE Shares, failing which the sale of the FNE Shares to Lion Nanning may proceed.

- (d) Lion Nanning becoming a party to a Shareholders Agreement between the existing shareholders of FNE dated 3 May 2010 ("**Shareholder Agreement**") and the Articles of Association of FNE.

These conditions are for the benefit of Lion Nanning and may be waived at Lion Nanning's discretion.

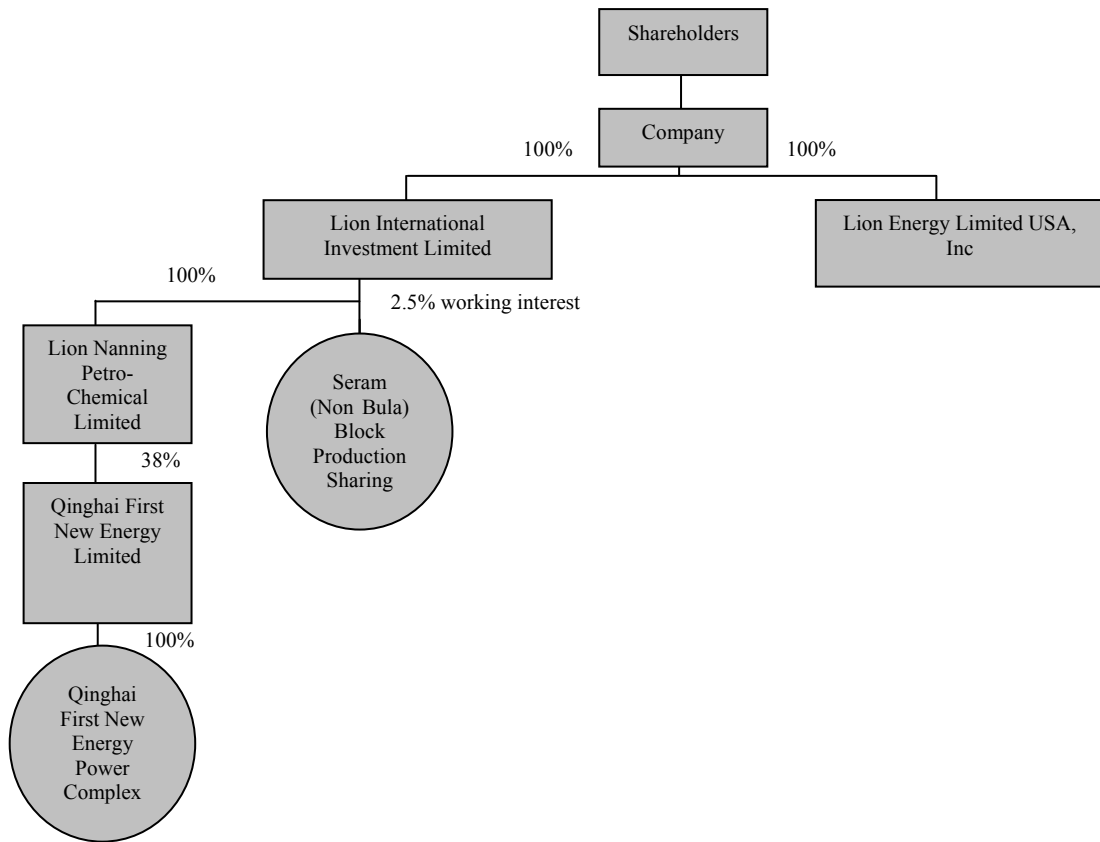
There are 11 other individual shareholders in FNE, one of whom owns 19% of the issued shares in FNE and each of the other individual shareholders holds 3% of the issued shares. None of these shareholders are related to LIO, except for Jian Wu a director of LIO who has a 3% shareholding. In addition, Yuda Chen has a 3% personal holding in FNE.

As noted above, the relationship between the initial shareholders of FNE is governed by the Shareholders Agreement and FNE's Articles of Association. The Shareholders Agreement and the Articles of Association do not require future investors to become a party to the Shareholders Agreement or the Articles of Association. Lion Nanning intends to seek amendments to the Shareholders Agreement and Articles of Association which will allow it to become a party to those agreements. However, LIO does not consider that it is fundamental to its investment in FNE that it becomes a party to these agreements.

The Shareholders Agreement and the Articles of Association do not include any provisions in relation to future funding or capital contributions to FNE. Accordingly, FNE may seek funding from alternative sources in the future, and the shareholding of existing shareholders, including Lion Nanning (if the purchase of the FNE Shares is completed) will be diluted if FNE raises equity capital from other investors.

The corporate structure of the Group following the acquisition of the FNE Shares from Shanghai Lion is shown in the diagram below.

Diagram: Post Acquisition



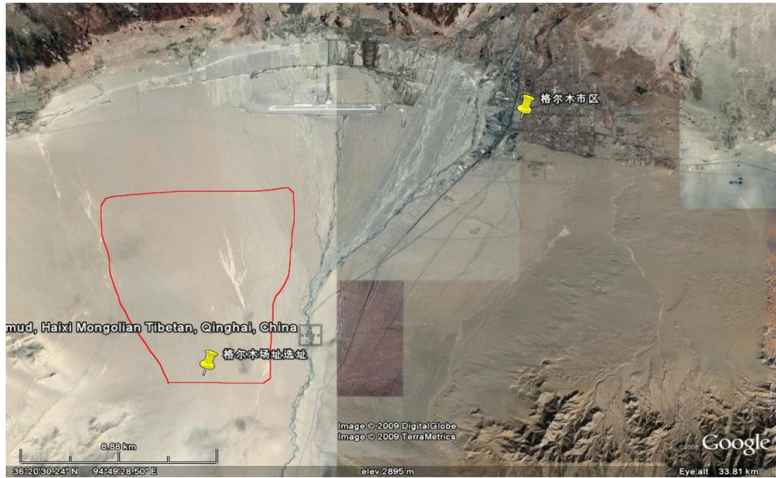
Further details regarding the Solar Project are set are below.

2. Overview of the Solar Project

FNE is currently developing its first solar power complex in Qinghai’s Gobi Desert. The Qinghai First New Energy Power Complex ("**Power Complex**") will be located in Geermu city, Haixi State, Qinghai, China. The Power Complex is located near Geermu city, next to 750 substations.

The chairman of FNE is Xuancheng Shou and vice chairman Jian Wu (Jian Wu is also the Chief Executive Officer). Other directors are Russell Brimage, Yuda Chen and Kaijun Hao.

In December 2009, the Qinghai Geermu Government approved the construction of the Power Complex over a total of 50 square kilometres of land. The location is shown in the below diagram:



The Power Complex will have total installed capacity of 1000 megawatts (MW) and will be capable of producing 2800 million Kilowatt-hours annually. Commencement of construction is scheduled for the first half of 2011.

FNE will manage and conduct the Solar Project. Lion Nanning will not be involved in the day-to-day management of the Solar Project.

Timetable

An indicative timetable of relevant dates for the Solar Project is set out below.

Action	Commencement Date	Completion/ Due Date	Status
Preliminary site selection	December 2009	December 2009	Completed
Project investment agreement for site selection with Chinese government. This facilitated the commencement of feasibility work.	December 2009	December 2009	Completed
Establishment and setup of metering centre setup (which will measure solar readings from the site to determine the extent of the solar resource)	January 2010	January 2010	Completed
Preliminary work permit from Qinghai Development and Reform Commission ("DRC"). This is a pre-approval to allow feasibility work to commence.	December 2009	March 2010	Completed
First draft of feasibility research report. This will give FNE	December 2009	August 2010	Completed

Action	Commencement Date	Completion/ Due Date	Status
parameters to determine what work needs to be done and through which Government agencies. It will allow detailed work to commence.			
First draft of feasibility research report review by National DRC	November 9, 2010	November 9, 2010	Completed
Second draft of feasibility research report	November 10, 2010	November 18, 2010	In progress
Obtain the evaluation reports from various departments.	December 2009	May 2011	In progress
Solar resource measure. The solar resource will be measured at the site for 1 year to determine the extent of the solar resource.	January 2010	January 2011	In progress
Completion of feasibility research report	December 2009	March 2011	In progress
Submit feasibility research report to DRC in QingHai Province who then forward to National DRC for approval	February 2011	April 2011	Not yet commenced
Obtain the supporting documentations from various departments.	December 2009	May 2011	In progress
Permit Review by the National DRC	April 2011	June 2011	Not yet commenced
Commencement of pilot plant construction	January 2011	December 2011	Not yet commenced
Commencement of construction	June 2011	December 2012	Not yet commenced

Budgeted expenditure for pre-construction phase of Solar Project

A breakdown of the budgeted expenditure for the pre-construction phase (expected to be approximately 27 months) of the Solar Project is set out below:

Category	Item	Amount in CNY	Amount in USD ¹
Project general expenses	Salary calculated at 30 headcount x 27 months x 25,000CNY (headcount x month x average salary)	20,250,000	2,990,155
	Business travel expense 300,000/month at 27 month)	8,100,000	1,196,062
	Office Lease expense	3,510,000	518,294
	Office renovation	3,000,000	442,986
	Conference, Public Relations expense	6,000,000	885,972
Project commission expenses	Feasibility Study Report	4,400,000	649,713
	Application fee expense	1,000,000	147,662
	Environmental evaluation report	1,200,000	177,195
	Supporting document	5,000,000	738,310
	Permit Processing Expense	10,000,000	1,476,620
	Land purchasing expense (75000acre* ¥12500/acre) The calculation is only at 3750 acres which is sufficient for 50MW demonstration power plant	46,875,000	6,921,656
Total		109,335,000	16,144,625

¹ Based on exchange rate of 1CNY = 0.147662 USD

CHANGE TO NATURE AND SCALE OF ACTIVITIES

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. Listing Rule 11.1.2 provides that, if the ASX requires, the entity must get security holder approval and comply with any ASX requirements in relation to the notice of meeting. Listing Rule 11.3 provides that, if the ASX so requires, the entity must meet the requirements of Chapters 1 and 2 as if the entity was applying for admission to the official list.

Following consultation with ASX, LIO is required to re-comply with Chapters 1 and 2 as if it were apply for admission to the official list as a result of the investment in the Solar Project.

Capital Structure

The existing capital structure of LIO is set out below.

Securities currently on issue	Number
Ordinary Shares	94,493,754
Options	31,000,000

The options are exercisable at 35 cents each on or before 31 August 2011. Both the ordinary shares and the options are quoted on the ASX.

It is likely that the Company will be required to undertake a consolidation of its existing shares and options in order to meet ASX's minimum 20 cent price requirement for re-listing. The ratio of the consolidation has not yet been decided by the Board and will be announced by the Company once determined.

The Company may undertake fundraising in connection with the issue of its relisting prospectus. The prospectus to be issued by the Company will be solely for the purposes of re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

APPROVAL UNDER LISTING RULE 10.1

Listing Rule 10.1 provides that an entity must not, without prior shareholder approval, acquire a "substantial asset" from a *related party, a substantial shareholder, a subsidiary, an associate of these persons, or a person whose relationship is such that in ASX's opinion, the transaction should be approved by shareholders*. An asset is "substantial" if its value, or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules. The acquisition of the FNE Shares by Lion Nanning will be substantial asset based on the Company's latest financial statements.

A person is an associate of another person if they are "acting in concert" in respect of a matter. As Yuda Chen controls Shanghai Lion, Yuda Chen and Shanghai Lion are associated in relation to the proposed transaction with Lion Nanning.

Therefore shareholder approval pursuant to Listing Rule 10.1 will also be required because the acquisition is an acquisition of a substantial asset (the FNE shares) from an associate (Shanghai Lion) of a substantial shareholder of LIO (Yuda Chen).

The Company will obtain an independent expert's report under Listing Rule 10.10 when it seeks shareholder approval to complete the acquisition of the FNE Shares.

Indicative Timetable

An indicative timetable for the Solar Project investment and relisting is set out below:

Event	Date
ASX announcement of change in activities	16 November 2010
Despatch notice of meeting to seek shareholder approval for Solar Project	17 January 2011
Shareholder meeting to approve Solar Project and change in activities	15 February 2011
Suspension of LIO's securities from trading on ASX at the opening of trade	15 February 2011
Lodgement of compliance prospectus with ASIC	15 April 2011
Anticipated date the suspension of trading is lifted and LIO is re-listed on ASX	30 June 2011

**The above timetable is indicative only and subject to change.*

Pro forma Statement of Financial Position

A pro forma statement of financial position as at 30 September 2010 following the acquisition of 38 million shares in FNE from Shanghai Lion is set out in Annexure A.

Information for Shareholders

LIO shareholders will receive a notice of meeting in due course, which will provide further details regarding the Solar Project and the required resolutions in respect of approval to the change in the nature and scale of LIO's activities. LIO shareholders should note that LIO will be suspended on and from the day of the shareholder meeting until the date that LIO is re-listed on ASX. Re-listing on ASX requires re-compliance with Chapters 1 and 2 of the Listing Rules to the satisfaction of ASX. The Company anticipates that there may be some delay in relisting due to the administrative processes involved in re-complying with Chapters 1 and 2 of the Listing Rules.

Jack Toby
Company Secretary

ENQUIRIES:

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

ANNEXURE A

The following unaudited Consolidated pro forma Statement of Financial Position of Lion Energy Limited is based on the unaudited management financial report as at 30 September 2010, adjusted for:

- Payment of CNY 38,000,000 by Lion Nanning to Shanghai Lion, being the price for the acquisition of 38,000,000 fully paid ordinary shares in FNE.

An exchange rate of 6.4 CNY for AUD\$1.00 is assumed.

PRO FORMA STATEMENT OF FINANCIAL POSITION

	Consolidated	
	Unaudited 30 September 2010 \$	Pro-Forma Unaudited 30 September 2010 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7,567,981	1,630,481
Trade and other receivables	593,246	593,246
Inventories	562,401	562,401
TOTAL CURRENT ASSETS	8,723,628	2,786,128
NON-CURRENT ASSETS		
Plant and equipment	52,941	52,941
Capitalised exploration expenditure	1,846,193	1,846,193
Other financial assets	—	5,937,500
TOTAL NON-CURRENT ASSETS	1,899,134	7,836,634
TOTAL ASSETS	10,622,762	10,622,762
CURRENT LIABILITIES		
Trade and other payables	1,295,273	1,295,273
TOTAL CURRENT LIABILITIES	1,295,273	1,295,273
NON-CURRENT LIABILITIES		
Trade and other payables	462,214	462,214
TOTAL NON-CURRENT LIABILITIES	462,214	462,214
TOTAL LIABILITIES	1,757,487	1,757,487
NET ASSETS	8,865,275	8,865,275
EQUITY		
Issued capital	51,691,088	51,691,088
Reserves	852,157	852,157
Accumulated losses	(43,677,970)	(43,677,970)
TOTAL EQUITY	8,865,275	8,865,275