

NOTICE OF MEETING


A meeting of members of the company will be held at Suite 14, 168 Melbourne Street, North Adelaide SA 5006 on 28 June 2005 at 10.30 a.m. (Adelaide time) to consider the following resolution with or without amendment:

Sale of Assets

"That for the purposes of ASX Listing Rule 11.2 and all other purposes, the members approve the sale by Lion Energy Limited ("Lion") to Southern Petroleum Pte Ltd (or nominee) of it's interest in the Bula oil production tenement in Indonesia, a drilling rig and other heavy equipment used in Indonesia as detailed in the explanatory memorandum that accompanied the notice of this meeting."

Notes:

- (a) Explanatory memorandum. An explanatory memorandum accompanies and forms part of this notice of meeting.
- (b) Voting exclusion: To comply with the ASX Listing Rules, the company will disregard any votes cast on the resolution by Southern Petroleum Pte Ltd (or other purchaser of the assets nominated by them) or any associate of them or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the company will not disregard a vote if: (i) 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 (ii) 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.
- (c) Corporate representatives: A member that is a body corporate may appoint an individual as a representative to exercise all or any of its powers at a meeting of the company, subject to compliance with Corporations Act 2001 s. 250D.
- (d) Proxies: A proxy form accompanies this notice of meeting. A member has a right to appoint a proxy; the proxy need not be a member of the company; a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. To be effective, a proxy form (and, if the proxy form is signed by the appointor's attorney – the authority under which the proxy form was signed or a certified copy of the authority) must be received by the company at least **48 hours** before the meeting. The company will receive proxy forms and proxy form authorities at Suite 14, 168 Melbourne Street, North Adelaide SA 5006 or by facsimile to (08) 8239 1744.



By order of the Board of Lion Energy Limited

Signed: Stacey Muggleton (Secretary)

EXPLANATORY MEMORANDUM

Dear Shareholder

This document is for your consideration of an ordinary resolution to approve Lion selling its interest in the Bula oil production tenement in Indonesia, a drilling rig and other heavy equipment used in Indonesia.

If the sales complete, Lion will retain its significant investment in the Oseil tenement in Indonesia and its 11.05% shareholding in Entek Energy Limited.

About this meeting

Pursuant to ASX Listing Rule 11.2, if a listed entity proposes to make a significant change to the nature or scale of its activities which involves the entity disposing of its main undertaking, the entity must get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting. The notice of meeting must include a voting exclusion statement.

This meeting is to satisfy the requirement of ASX Listing Rule 11.2.

Lion gave ASX copies of this Explanatory Memorandum, the Notice of Meeting and the Proxy Form before these documents were sent to you. However neither ASX nor their officers take any responsibility for the merits of the proposal now before you.

About the proposed sales

On 11 May 2005 Lion notified the market that a sale of the assets was agreed, subject to various conditions, including that Lion shareholders approve the sale.

The key elements of the proposed sales are:

- (a) The Purchaser: The purchaser is Southern Petroleum Pte Ltd (or nominee acceptable to Lion). That entity is at arm's length to Lion and its officers and, so far as is known, to any substantial shareholder of Lion.
- (b) Assets to be sold: The assets to be sold are:
 - o All the issued shares in Indonesia Prima Energy Services Limited (a company that in turn holds all the shares in PT Prima Jasa Energi that owns and operates a drilling rig and heavy equipment in Indonesia).
 - o All the issued shares in Kalrez Petroleum (Seram) Limited, a company that will own the 100% interest in the Bula tenement (the Bula tenement is currently being transferred to Kalrez Petroleum (Seram) Limited from another subsidiary of Lion). That company also holds an inventory of recovered oil, the value of which will be recognised in the final sale price of the shares.
- (c) Conditions: The sales are subject to fulfilment of these conditions by 28 June 2005 (or as may be agreed or waived):
 - o Lion shareholders approving the sale
 - o Perusahaan Pertambangan Minyak Dan Gas Bumi Negara (an Indonesian government instrumentality) and the government of Indonesia consent to that transfer of the Bula tenement

- Perusahaan Pertambangan Minyak Dan Gas Bumi Negara and the government of Indonesia consent to the transfer of the shares in the two subsidiaries being sold
 - An entity holding the shares in the subsidiaries on trust for Lion transferring that share as directed by Lion.
- (d) Cash proceeds: At completion, Lion expects to receive total cash proceeds of about \$6,600,000¹ (\$US4,850,000 sale price plus \$US250,000 in sale of oil inventory) of which about \$4,100,000 would be loans (principal and interest) repaid by Indonesia Prima Energy Services Limited and the balance from sale prices (after adjustments for any external liabilities, the market value of oil inventory (an expected 8,000 barrels) net of Indonesian government royalty, the market value of any incidental assets).
- (e) Completion: Settlement is expected to be 30 June 2005.

Though these sales are now structured as sales of shares in subsidiary companies, the parties may choose to change that, for example by direct sales of the underlying assets rather than the companies that hold those assets, in order to accommodate the requirements of stakeholders and to facilitate the transaction. A change in the structure would not reduce Lion's cash proceeds from the transaction.

Lion expects to apply nearly the whole cash proceeds (net of transaction costs) in acquiring (by purchase or farm-in) oil or gas tenements in the proximate future as opportunities arise. Lion does not intend to pay a dividend, or return of capital, as a result of these sales.

About Lion's total assets

As shown in our December 2004 Half Year Report, Lion had on 31 December 2004 these asset groups:

1. **100% interest in Bula Petroleum Sharing Contract (held through Kalrez Petroleum (Seram) Limited), including a drilling rig and heavy equipment (held through PT Prima Jasa Energi).**

These are the assets Lion proposes to sell.

The Bula PSC is a mature and declining oil field that produced an average of 520 barrels per day during FY 2004. Production for the half year ended 31 December 2004 was an average of 403 barrels per day. Kalrez Petroleum (Seram) Limited is the operator of the tenement.

The drilling rig and heavy equipment are now contracted to work in the Oseil field but are also used for Bula drilling and work-over operations when not contracted to the Oseil field.

Historical cost at 31 December 2004: \$2,189,420

Gross profit 1 July to 31 December 2004: \$598,717 (after production costs @\$24 p.b)

¹ This Explanatory Memorandum refers to Australian currency and consistently assumes an exchange rate of 77 cents Australian currency for one dollar American currency. The proposed sale is in fact denominated in American currency. For the sake of consistency, historical costs and gross profit contributions originally in American currency are now shown in Australian currency. Lion has not hedged the receivables under the proposed sales and is exposed to any change in the exchange rate between now and completion

2. 2.5% interest in Seram (Non Bula) PSC (Oseil).

This asset is to be retained in the Lion Group.

This is a developing oil field with 4 wells in currently production through a temporary production facility whilst repairs are carried out on the Main Production Facility. Phase II development drilling commenced in the last quarter of FY 2004 with production projected to reach about 17,000 barrels per day by mid 2005, of which Lion's share would be about 450 barrels per day. The main production facility could handle more than 17,000 barrels per day after some minor alterations. Oil from the Oseil field is of higher quality than that from the Bula field. Lion is not the operator of this tenement.

Historical cost at 31 December 2004: \$7,598,712

Gross profit 1 July to 31 December 2004: \$348,620 (after production costs @\$7 p.b)

3. 11.05% investment in Entek Energy Limited.

Historical cost at 31 December 2004: \$43,651

Market valuation 13/05/05: \$654,745 (market price of \$0.15 at close 13/5/05)

The 2.5% interest in Oseil is, and remains, Lion's most valuable asset.

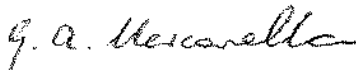
Reasons for the proposal

Your directors urge you to vote in favour of approval as:

- The Bula tenement is a mature and declining oil field
- The assets up for sale represent only a minority of total assets (on historical costs) and are to be sold at market value to an arm's length purchaser
- Lion intends to apply nearly the whole cash proceeds (net of transaction costs) to acquiring replacement oil or gas tenements.

Yours faithfully

Lion Energy Limited



G A Mercorella
Executive Chairman

APPOINTMENT OF PROXY

I/We

of

being a member(s) of the company appoint:

(Name of first proxy)..... to exercise . . . % of my/our voting rights

and

(Name of second proxy, if any)..... to exercise . . . % of my/our voting rights

or in his/their absence the chairman of the meeting, as my/our proxies to vote at the meeting of the members of the company to be held on 28 June 2005 at 10.30 a.m. (Adelaide Time) or at any adjournment thereof.

(Voting instructions to be indicated by placing a tick in the appropriate box. If no instruction is given the Proxy may vote as that person thinks fit, or abstain.)

If you DO NOT wish to direct your proxy how to vote, please place a mark in the 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 that interest.

The Chairman intends to vote in favour of this resolution.

RESOLUTION	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
To approve a sale of assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed

(a body corporate should sign by signatures of 2 officers who must state the office held, or by a sole director and sole secretary who must state that the person is the sole director and sole secretary)

Notes:

- (a) This form need not be dated or witnessed.
- (b) A member has a right to appoint a proxy; the proxy need not be a member of the company; a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) To be effective, a proxy form (and, if the proxy form is signed by the appointor's attorney – the authority under which the proxy form was signed or a certified copy of the authority) must be received by the company at least **48 hours** before the meeting.
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