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9 December 2011

Company Announcements
ASX Limited

RIGHTS ISSUE LETTER TO SHAREHOLDERS

The following letter will be mailed to shareholders of Lion Energy Limited on 12 December 2011.

Jack Toby
Company Secretary

000001 000 LIO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
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SAMPLEVILLE VIC 3030

8 December 2011

Dear Shareholder

NON-RENOUNCEABLE ENTLEMENT ISSUE - DETAILS

On 8 December 2011 Lion Energy Limited (**LIO** or the **Company**) announced details of a pro-rata non renounceable entitlements issue (**Rights Issue**) to eligible shareholders on the basis of one (1) new share (**New Shares**) for every two (2) shares held by shareholders on the record date of 19 December 2011 (**Record Date**) at an issue price of \$0.02 per Share to raise approximately \$1,086,678, together with one (1) free attaching option (**Attaching Option**) for every New Share issued and the issue to Pendulum Capital Pty Ltd or its nominee of 4,000,000 free fee options (**Fee Options**). The Rights Issue is fully underwritten by Pendulum Capital Pty Limited (**Underwriter**) and will seek to raise proceeds of approximately \$1,086,678.

On 8 December 2011, LIO lodged a prospectus with the Australian Securities and Investments Commission setting out the details of the Rights Issue. A copy of the Prospectus was also lodged with Australian Securities Exchange (ASX) on 8 December 2011 and is available on the websites for ASX (www.asx.com.au) and LIO (www.lionenergy.com.au).

It is anticipated that the Prospectus will be sent to all shareholders in Australia and New Zealand on 23 December 2011.

Proposed Timetable*

The current proposed timetable for the Rights Issue is set out below. The dates are indicative only and LIO reserves the right to vary the dates subject to the Corporations Act 2001, the Listing Rules of the ASX (**Listing Rules**) and other applicable law.

Announcement of Rights Issue	25 November 2011
Prospectus lodged at ASIC and ASX	8 December 2011
Lodgement of Appendix 3B with ASX	8 December 2011
Notice containing information required by Appendix 3B sent to Shareholders	12 December 2011

"Ex" Date (date Shares are quoted ex-rights)	13 December 2011
Record Date to determine Entitlements	19 December 2011
Prospectus with Entitlement and Acceptance Form despatched to Shareholders	23 December 2011
Opening Date	23 December 2011
Closing Date for acceptance and receipt of applications under the Rights Issue	11 January 2012
New Shares quoted on a deferred settlement basis	12 January 2012
Notification to ASX of under-subscriptions	16 January 2012
Allotment date with respect to New Shares	19 January 2012
Despatch of holding statements	19 January 2012
Date of quotation of New Shares issued under the Rights Issue	20 January 2012

* These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to the Listing Rules.

Dealing with Entitlements


Shareholders have the following alternatives available in relation to the Rights Issue:

1. accept their entitlement in full;
2. partially accept their entitlement; or
3. allow their entitlement to lapse.

Information required to be given to you in accordance with the Listing Rules:

Pursuant to the Listing Rules, the Company is required to provide to you certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules.

1. Approximately 54,333,909 New Shares and 54,333,909 Attaching Options will be issued pursuant to the Rights Issue. The Underwriter (or their nominee) will also be issued 4,000,000 Fee Options with the same terms as the Attaching Options pursuant to the Underwriting Agreement.
2. The New Shares will rank equally in all respects from the date of allotment with the existing class of quoted ordinary shares. The Attaching Options will represent a new class of options with an exercise price of 3 cents each that will be exercisable on or before 31 December 2013. Each Attaching Option and each Fee Option is exercisable into one (1) ordinary share.
3. The issue price of the New Shares will be 2 cents each. The Attaching Options will attach to the New Shares on a one (1) for one (1) basis and will be issued for nil consideration. The Fee Options will be issued for nil consideration.

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4. The Company will apply for quotation of the New Shares, Attaching Options and Fee Options issued pursuant to or as a result of the Rights Issue on the official list of the ASX.
 5. The funds raised by the Rights Issue will be used principally to provide funds for the Company's proposed restructure including a selective buy-back of the Company's shares, and to provide general working capital for the Company.
 6. The securities will be entered into uncertificated holdings on 19 January 2012.
 7. The total number and class of all securities quoted on ASX (including the approximate number of New Shares, Attaching Options and Fee Options to be issued in the Rights Issue will be as follows:

Number	Class
163,001,726	Ordinary Shares
58,333,909	options exercisable at 3 cents on or before 31 December 2013

8. There are no securities of the Company not quoted on ASX:
9. The Company currently has no dividend policy.
10. No shareholder approval for the Rights Issue is required, however, shareholder approval will be sought for the issue of the Fee Options at a general meeting of shareholders of the Company's to be held in early 2012.
11. The Rights Issue is non-renounceable.
12. The New Shares in the Rights Issue will be offered on the basis on one (1) New Share for every two (2) shares held together with one (1) free Attaching Option for every New Share issued.
13. The offer under the Rights Issue relates to ordinary fully paid shares in the capital of the Company.
14. The record date to determine the entitlements is 19 December 2011.
15. Holdings on different registers (or sub registers) will not be aggregated for calculating entitlements.
16. In determining the entitlement of shareholders, any fractional entitlement will be rounded up to the nearest whole number.
17. The Company will not be sending an offer under the Rights Issue to any security holders who are not resident in Australia or New Zealand at the record date.

In compliance with Listing Rule 7.7.1 of the Listing Rules, the Company has decided that it is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas shareholders, the number and value of securities these shareholders

would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Rights Issue offer is not being extended and securities will not be issued to shareholders with a registered address which is outside Australia or New Zealand.

18. The closing date for receipt of acceptances is 5.00pm WST on 11 January 2012.
19. The Rights Issue is fully underwritten by Pendulum Capital Pty Limited which will be paid a fee of 6% of the cash raised, being \$1,086,678, which equates to a fee of \$65,201. The fee is quoted on a GST exclusive basis. Pendulum Capital Pty Limited will also be issued with 4,000,000 Fee Options with the same terms as the Attaching Options.
20. There is no other broker to the Rights Issue.
21. Brokers will receive no handling fee for acceptances lodged by them on behalf of the security holders.
22. The Prospectus for the Rights Issue and an accompanying Entitlement and Acceptance Form will be sent to you on 23 December 2011.
23. There are no existing options to subscribe for shares in the Company.
24. The latest date for despatch of shareholder holding statements is 19 January 2012.


The above information was provided to ASX on 8 December 2011.

For further information on your entitlement please contact your stockbroker or LIO's share register:

Computershare Investor Services Pty Limited

Telephone (within Australia): 1300 850 505 and Telephone (overseas): +61 3 9415 4000

Yours sincerely,



Jack Toby
Company Secretary