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Lion Energy Roars into Africa

By James West
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Oil's recent price strength should be sufficient response to the question as to why Raytec Metals, a company that had been previously focused on the acquisition of Potash assets in Canada, would become Lion Energy Corp., (TSX.V:LEO), a now well capitalized TSX Venture company focused on hydrocarbons in Africa.

But it is the opportunity afforded by an agreement with Africa Oil Corp., a member of widely respected Lundin Group of Companies, that demonstrates the clear impetus and strategic acumen of Lion Energy's business plan.

"The alliance with Africa Oil is a unique opportunity to partner with the Lundin Group, one of the most respected names in the energy resource industry," said Brian Thurston, President and CEO of Lion Energy Corp. "Our participation in the Kenya Block 10BB reinforces Lion's commitment to create opportunities for our shareholders to participate in world-class exploration plays in East Africa".

The Lundin Group has made a highly respected reputation by finding success through visionary exploration in geologically prospective and under explored areas of the globe. Africa Oil Corp's exploration in East Africa represents the Lundin Group's newest area of interest with highly prospective geology and very little recent exploration. Lion Energy management sees the opportunity to participate in the Lundin Group's proven business plan as an opportunity too good to pass up.

Switching gears from a Potash play to an oil and gas play also makes sense from a financial perspective. The sale of its stake in the Spar and KP452 potash properties in Saskatchewan resulted in a financial win for Lion Energy who now hold approximately \$13 million in cash at this point.

According to the company's press release dated July 30, 2009:

"Raytec will transfer all of its interests in its Spar and KP452 potash properties in Saskatchewan to Encanto, or its subsidiary, in exchange for 19,846,525 common shares of Encanto, at a deemed total value of \$4,961,631. Raytec will also incur \$6.5 million in expenditures on Encanto's existing potash properties and Raytec's potash properties (collectively, the "Potash Properties") by Dec. 31, 2009, to earn a 51% interest in the Potash Properties. Encanto will have the option to repurchase the 51% Raytec interest in the Potash Properties for 26 million shares of Encanto."

So now, along with its interest in Africa Oil, Lion Energy also holds a 14.76% interest in Encanto Potash Corp. and a 51% interest in their potash properties. The Company also holds a 20% interest in Sulphur Solutions Inc., an emerging fertilizer company developing state-of-the-art patented technology for the production of micronized sulphur fertilizer.

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The Africa Oil Deal

The deal with Lundin Group's Africa Oil represents a significant opportunity for Lion Energy, and a somewhat risky but high potential opportunity for risk-tolerant investment portfolios.

Kenya: Africa Oil will transfer to Lion Energy a 10% interest in the Block 9 Production Sharing Agreement, a 25% license interest in the Block 10A Production Sharing Contract and a 20% interest in Block 10BB Production Sharing Contract.

Block 10BB, recently acquired by Africa Oil from Turkana Energy Inc., is a large block encompassing approximately 13,000 square kilometres in the Rift Valley of northwestern Kenya, believed to be a southern extension of the prolific Muglab Basin in Sudan, which has been producing since the early 70's.

The block is within the Tertiary rift trend of East Africa, which has recently yielded major oil discoveries by operators such as Heritage Oil Corp. and Tullow Oil plc, both active in the Lake Albert region of Uganda where recent drilling by Tullow Oil has discovered resources of over 700 mmbbl, with remaining potential recently boosted by the discovery of a new field.

A technical re-evaluation of newly acquired Block 10BB is underway. As the block has an existing oil discovery (Loperot), various exploration strategies such as appraisal drilling, offset exploration drilling, and conventional 2D or 3D seismic exploration are being considered. Seismic acquisition is anticipated to commence in the second quarter of 2010.

The Bogal-1-1 well in Block 9 commenced on October 28, 2009 and will target Jurassic reefal limestone and Cretaceous sandstones with a projected total depth of approximately 5500 metres. Numerous additional prospects have also been identified within Block 9 and are being evaluated for possible future drilling. CNOOC is the operator of Block 9.

On Block 10A, Lion Energy's partner Africa Oil is currently interpreting reprocessed vintage seismic data to provide a clearer image of the vast sub-basins within the block. To supplement the existing data, approximately 750 kms of new 2D seismic will be acquired.

Puntland, Somalia

Africa Oil will transfer a 15% license interest to Lion Energy in the Nogal and Dharoor Petroleum Production Sharing Agreements.

The Nogal Valley and Dharoor Valley Blocks are situated in northern Somalia and cover the Nogal Basin and the Darin Basin, respectively. Both basins are believed to have been sheared from the Marib Shabwal Basin and Masila Basin in Yemen over time and share identical geology. The Marib Shabwal and Masila Basins in Yemen contain over 9 billion barrels of oil and have current production of over 400,000 bpd. On the Somalian side of the Gulf of Aden there has been extremely limited oil and gas exploration and therefore represents an excellent opportunity for a multi billion barrel discovery.

Combined, Lion Energy's two blocks cover a very large area, with the Nogal Valley Block extending over approximately 50,000 square kilometers, which encompasses the Nogal Basin.



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The Dharoor Valley Block extends over an area of 30,000 square kilometers, encompassing the entire Darin Basin. These areas are very large and, with only 5 wells drilled, the area remains one of the least explored areas in North Africa.

The Nogal Basin has been identified as having reservoir, source rock and trap potential. International oil and gas companies conducted exploration in the late 1980's in the region. During this exploration phase, a grid of 2D seismic was shot perpendicular to the axis of the rift system in the Nogal Basin. Based on interpreted maps this data shows a number of large, closed, fault-controlled structures.

The basin fill is extremely thick, with more than 10,000 feet of sediments in some areas. The main target reservoir is the Jurassic-aged sandstones belonging to the Gabredarre Formation. These reservoir sandstones overlie the organic rich shales and marls of the Uarandab Formation, which is thought to be the source rock for the oil seeps observed along the boundary faults. The secondary reservoirs include the deep marine sandstones and shallow marine carbonates belonging to the Upper Cretaceous Gumburo Formation. The marine sandstones of the Jesomma Formation, also Upper Cretaceous in age, are also potential secondary targets. The Jesomma and Gumburo have isopach thicknesses of approximately 1,350 and 2,450 feet, respectively.

Surface seeps of oil, as well as oil shows reported in several exploration wells drilled by previous operators in the area, indicate that the source rocks have generated hydrocarbons and that they have migrated through the system.

At the Dharoor Block, 782 kilometers of good quality data comprising 15 grid lines has been acquired. The Company has combined 555 kilometers of previously acquired data from this Block into its seismic database.

The Potential

While Lion Energy remains focused on development of its oil and gas projects in East Africa, shareholders of Lion are also offered investment diversification through Lion's retention of working interest in promising potash properties in Saskatchewan, as well as Lion's 20.2% ownership of Sulphur Solutions Inc. (SSI), a technology company capable of converting byproduct sulphur from oil and gas production into granular fertilizer.

Lion Energy provides risk tolerant investors with exposure to one of the last on shore oil exploration plays with multi-billion barrel discovery potential. Well financed with \$13 million cash and \$13 million investments, with planned exploration for the next two and half years straight, and borrowing on the experience of Africa Oil's management team of petroleum exploration veterans, the level of risk is good for a junior company with such a potentially exciting future in oil exploration.

Follow the company's progress at <http://www.lionenergycorp.com>.