

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Lion Energy Corp. (TSX.V-LEO)



BRIAN G. THURSTON, President, CEO and Director of Lion Energy Corp. has advanced the company through a change of business into the mineral exploration sector during his two years at the helm, raising over \$32 million and acquiring quality assets for the company. Mr. Thurston brings over 17 years of exploration management and operational experience in Canadian and Latin American projects. He was part of the initial geological exploration team that evaluated the current land holdings of Aurelian Resources, Inc., in Ecuador in 2002, and he held the position of Country Manager for Aurelian in 2004 and 2005. Aurelian was taken over by Kinross Gold Corp. in a transaction valued at \$1.2 billion.

SECTOR – ENERGY

TWST: Let's begin with a brief historical sketch of Lion Energy and a picture of things as they are now.

Mr. Thurston: The company has actually been around for many years but underwent a change of business to the resource exploration sector in November of 2007 under the name of Raytec Metals Corp. Initially, the company was focused on exploration for commodities that were believed to be of interest by the emerging BRIC countries, Brazil, Russia, India and China, such as key offerings, iron ore for infrastructure, uranium for power, and potash and sulfur fertilizers for food production. We were quite successful with this business model and raised over \$30 million in less than a year. However, when the financial crisis hit beginning in late 2008, the markets for all these commodities were severely weakened. After months of searching for new opportunities to increase value for our shareholders and our investors, management and directors of the company decided to concentrate on the oil and gas sector. So in May of 2009, Raytec farmed in on several properties with Africa Oil Corp., a Canadian oil and gas exploration company with assets in Kenya, Ethiopia and Somalia, which is also a member of the Lundin Group of Companies, who are very successful. With this new focus on oil in Africa, we underwent a name change and we became Lion Energy Corp., which is now an international oil and gas exploration company that is publicly traded on the TSX Venture Exchange with the symbol LEO. We currently have investment assets in Canada and, as I've mentioned, the farm-in operations in Africa. The company is focused on acquiring, exploring and developing oil and gas reserves.

TWST: In light of your business model, how do you assess the risk in Somalia and Kenya?

Mr. Thurston: That's a very good question. It's a well-founded concern that there is strong risk politically in Somalia. However, in Somalia itself, the main problems tend to be in the south to central regions of the country. The northern areas of Somaliland and Puntland are semi-autonomous regions in their own right and have proven to be much more stable areas, which we believe are amenable to foreign investment. Lion Energy believes that the geology in this region is underexplored and holds the potential for a very large discovery. We believe the geological upside in these areas mitigates the potential political risk. Secondly, we believe the risk is further mitigated by the successful track record and business strategy of our partners, Africa Oil Corp. Their willingness to go into less-desirable countries with underexplored, highly prospective geology has led to their success. With Africa Oil as operators and with their successful track record, we believe we've partnered up with a good team, and that's why we've accepted that risk.

TWST: What do you see as the pricing supply/demand dynamics and the political situation that may have an impact on Lion's strategies during the next 12 months?

Mr. Thurston: I just attended a research conference in Denver, where energy was of the main topics. And several speakers who are quite knowledgeable about the subject believe that there will be a shortage of oil in the future and that oil will be highly sought after. As we are using up the known resources, the easy resources, it's going to take new discoveries in these underexplored, highly prospective areas, such as Uganda, Kenya and Somalia, to feed what will be the demand for oil in the future.

TWST: Is there a particular scenario that would lead to Lion Energy substantially exceeding expectations in the future?

Mr. Thurston: Our main focus at the moment is the exploration that we have with Africa Oil. Our first project, Block 9, is located in Kenya, and drilling commenced around October 28. A discovery on Block 9 could certainly catapult Lion Energy to the next level. We've got several holes to be drilled on five projects over the next year and a half. So whether this one is successful or not, it isn't the end of opportunity for our shareholders. Secondly, we are always looking to acquire bigger, other assets. We may be looking for less politically risky assets to offset some of the risk that we currently already have.

TWST: Would you comment on the Canadian properties you're concentrating on at this juncture, and some of the prospects and potential there?

Mr. Thurston: As I said, Lion Energy as a company is focused on international oil and gas exploration. However, our strength, I believe, comes from our joint venture partners. We've joint-ventured with some very successful groups, and these companies are focused strictly on one individual commodity, such as in Canada for instance, we are invested in Encanto Potash. We believe our Potash investment, over the next two years, will once again show some incredible strength. We do not spend any time on the daily operations of Encanto Potash, as we are strictly investors. We've invested \$6.5 million that will be spent by the end of this year. Therefore, we should have good flow of news coming from that company from present up to mid-next year. I believe that the success of Encanto Potash will bode well for our shareholders, as we will, at the end of our joint venture agreement, hold approximately 29% of Encanto Potash common stock.

areas due to the political situation that has been in those countries for the last 10 or 20 years. This is just the beginning of exploration. I don't believe that by spending the \$22 million that we're spending, we're going to see cash flow from that. If we make a discovery, it will take a lot more capital to go in, drill off, delineate and develop those fields. So this is just the first stage; it's the high-risk exploration stage of an international oil exploration company. It's also where you get the biggest potential gain. I foresee that we will follow the same model as Africa Oil has done with their multiple companies through the Lundin Group, where they go in, they develop these fields and sell off to a larger company. The upside for our investors is on the discovery side.

TWST: Are there any other investments held by Lion as an operator that investors may not be aware of?

Mr. Thurston: Not that we are an operator, however we've got a 30% interest in a uranium property where Triex Minerals is the operator. They have to spend approximately \$1.5 million to \$2 million to earn their 70% interest in our property. Further to that, we have invested \$2.2 million in a private company in Calgary called Sulphur Solutions, Inc., which is a sulfur fertilizer company. It's a company that essentially micronizes elemental or molten sulfur derived from gas streams and turns it into sulfur fertilizer. There is nothing we know of on the market that can match the quality of this product. The company is in the infancy stage, and they are looking presently at getting offtake agreements and building their first plant. If that works out, we should see cash flow within, I would say, a year and a half to two years. We currently own 20% of that private company.

"In Kenya it is the first drilling that's commenced in approximately 18 years. These are very underexplored areas due to the political situation that has been in those countries for the last 10 or 20 years. This is just the beginning of exploration."

TWST: What capital requirements do you see? How would you meet those needs over the next two- to three-year time frame?

Mr. Thurston: The company currently has no debt. We have \$13.5 million in investments and approximately \$13 million in cash on hand, with a further \$3.27 million held in trust from a recent private placement that we'll have access to once we close the Africa Oil farm-in agreement. We expect that to be closed by the end of the month. So for cash on hand, we should have close to \$16 million. For the next year and a half with the Africa Oil deal, I believe our involvement will be between \$16 million and \$22 million. So we're pretty close with the cash we have on hand. Apart from that, we have the potash investments that we made, which a portion could be sold to help out the balance sheet if needed. We also have a few other investments in the uranium and sulfur fertilizer, which we will wait and see how those develop.

TWST: As far as the properties in Africa are concerned, assuming that all goes well, how much money do you anticipate spending before you'll be able to generate meaningful revenues from those properties?

Mr. Thurston: In Kenya it is the first drilling that's commenced in approximately 18 years. These are very underexplored

TWST: How many employees do you currently have?

Mr. Thurston: Currently, we have approximately six employees; we are a small management-type company. Essentially what our business strategy has been is to surround ourselves with successful companies that have a proven track records in their chosen fields, such as Africa Oil Corp. Africa Oil Corp. has some of the brightest and most successful people in the oil exploration industry on their management team. They are operators for us and essentially we are working alongside of them. So for us to get the same type of people on board would really be redundant. However, we do need some expertise on our side, and we have our new V.P. of Exploration, Mr. John Nelson. He's got a master's degree in geology. He started his career with Mobil, worked for them overseas in places like Africa, Southwest Pacific, New Zealand, Australia and the U.S. for over 10 years. He is familiar with the geology in Africa and knows all the players that we're working with. He is our point man for the international oil and gas.

TWST: Would you tell us about your own background and expertise, and the same for a couple of your colleagues?

Mr. Thurston: I'm the President and CEO of the company. I have an honors bachelor degree in geology as well. I have worked in

different locations in North and South America throughout my career for approximately 17 years. Our CFO, Jeannine Webb, is a Certified General Accountant with more than 20 years working in the junior resource exploration industry. As I've mentioned, further to that we're taking advantage of the management from our joint venture partners, who have proven track records. They're some of the best people in the industry.

TWST: As CEO, what occupies your attention on a day-by-day basis?

Mr. Thurston: Currently, I'm concentrating on the change of business that we did to Lion Energy Corp. I'm working on several possible acquisitions and merger situations, where we could see our company grow quite quickly. Then as part of that, obviously, I'm looking at future financings for the company.

TWST: Would you please describe your current investor base?

Mr. Thurston: The investor base that we have right now is a very good balance between retail and institutional. Right now we have approximately 85 million shares outstanding. One of our largest institutional holders is Sprott Asset Management, which holds close to 9% of our outstanding stock.

TWST: How might the investment community improve its perception of Lion? Are there areas or concepts that are misunderstood?

Mr. Thurston: Absolutely, yes. The main misunderstanding with some investors is our involvement in the potash fertilizer arena. Many shareholders invested in Raytec Metals Corp., which is now Lion Energy, for its potash assets. Our recent sale of our potash assets to Encanto Potash Corp. has left some shareholders confused and many people question why we got out of the fertilizer play. In reality, we believe we have strengthened our commitment to potash. We've received shares of Encanto Potash for our potash asset, and we have further invested, as I mentioned, \$6.5 million to advance all of the potash properties held by Encanto Potash. Although Lion Energy is not the operator, our shareholders do stand to benefit from successful exploration and advancement of Encanto's properties. The completion of the Lion Energy-Encanto Potash joint venture, as of today, would see Lion Energy and its shareholders owning approximately 29% of Encanto Potash Corp. Secondly, there is a well-founded concern about the overall international oil and gas arena, and in particular the perceived political risk and instability of the countries that we have chosen to operate in. We believe that over time, investors will become more educated about the potential in the international oil and gas business. Further to that, as I've mentioned before, we've partnered with Africa Oil Corp., which is part of the Lundin Group. Very few companies can match the success of the Lundin Group. Their business strategy, as I have mentioned, is to go to these politically less-desirable countries with underexplored and highly prospective geology, with the goal of making a discovery, developing the asset and selling it off to a bigger partner. They've successfully done that several times over, creating very large gains for their investors.

TWST: What goals have you set to increase the understanding of your company, the number of analysts covering it, and to increase the institutional and retail holdings?

Mr. Thurston: We just finished the name change and the rebranding of the company. I will be on the road for the next several months talking to a lot of different institutions. I've got a few different companies working on our behalf that are also putting us in front of interested parties. I think that's where the bigger money is going to come from, especially for the high-risk ventures, such as Africa. It's from the institutional base. There is a strong appetite for that right now, as we've been seeing several other companies — some of our joint venture partners — such as East Africa Exploration/Black Marlin, who are doing big raises at the moment. There is an appetite for oil in Africa, and the high-risk but high-reward potential. So I'll be spending my time over the next few months really getting out there, getting our story told and looking for those big institutional investors. The retail investors will follow.

TWST: What would be the summary statement that you would convey to investors? What are the four or five strengths of Lion Energy that an investor should see as an investment today?

Mr. Thurston: I would say the biggest strengths that we have right now since we did the change of business in 2007, is how well positioned Lion Energy is, considering the recent financial turmoil. We've been very successful, and in only two years we've created a company that has an investment base of \$13 million and a cash base of approximately \$16.5 million. We've joint-ventured with some very strong partners on the oil side with the Lundin Group through Africa Oil. We also have a strong equity position on the potash side with the Encanto Potash group, who are also backed by some very powerful people and can help push that project to the next level. I believe that with the assets we hold in our portfolio, we are extremely undervalued in the market. Currently, our cash and investments are valued at over \$26 million, which equates to over \$.30 per share. Essentially, we are trading below cash and investment value. I think we're a very undervalued company with good asset base. With our new focus on international oil, we expect to drill several targets over the next couple of years. The potential for big rewards by high-risk-tolerant investors is definitely the potential from our oil drill programs in Africa. The potash and sulfur fertilizer assets form part of the diversification of the company and our investors have exposure to several different commodities.

TWST: Thank you. (KL)

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