

## Special edition 1/2020 – The oil of the dinosaurs

Published on *January 14, 2020* by *Günther Goldherz*

**Gold Herz Report** special edition 1/2020 – Tuesday, January 14, 2020

+++ Oil stocks let your profits grow +++ **Warren Buffett buys oil stocks** – after all, one of the richest men on the planet +++ **Peter Lynch** – the once legendary fund manager of Fidelity and finder of shares that have increased tenfold – also buys them and considers the industry one of the **best investment opportunities over a 3- to 5-year time horizon** +++



ReconAfrica (Toronto: RECO – WKN: A2PRKY) is a great company that has specialized in the development of the huge Kavango basin with the government of Namibia.

**Dear Reader,**

Two of my biggest idols agree this year:

**Warren Buffett**, who is considered one of the **richest investors on** the planet, and former fund manager **Peter Lynch**. In investor circles at least as well known as Buffett. In particular, because he brought one of the best returns to his fund's investors in his active time, **far above that of Buffett**.

Both are now investing in energy and oil stocks.

Peter Lynch says:



**"In 2020, investors need to prepare for +200% price gains  
in the energy sector."**

Not only did he say that individual oil and gas stocks would double or triple, he took his confidence from a total undervaluation of the sector and thinks that the oil and gas sector would be full of stock prospects that could triple compared to **current prices**.

Peter Lynch is a legend. He built up the Fidelity Magellan Fund from **\$14 million to \$18 billion US dollars in managed assets**.

But privately, Lynch was even more successful. He managed his wife's money, who gave him \$750 a month. He made a fortune of US\$ 8 million until 2014, even though his spending-friendly wife still took US\$ 3 million from the portfolio.

He managed what all investors dream of: turning \$750 a month to becoming a multi-millionaire..., a profit of over **+300,000%**...

His success is not based on herd behavior. He follows an anti-cyclical "value investor" in a classic way.

In his interview, which he gave to US investor magazine Barrons at the beginning of the year, Lynch **mentioned the only sector** he would **invest heavily** in now: **The energy sector!**

Peter Lynch draws his confidence from the peculiar situation that the oil price is significantly higher than a year ago, and that most oil stocks are priced even lower:

*"You wouldn't see it in stocks, but oil is 25% higher than a year ago.*

*Why did these stocks fall?"*

Because the banks and funds sell them to invest in overheated tech stocks.

*That would be a huge opportunity for investors, says Peter Lynch.*

I don't want to boast. Whether it was coincidence or not, I have already selected several **oil stocks** exactly one year ago. Leading the way of course, Russian Gazprom, the world's cheapest energy stock at the time, whose share price is now **+81%** in profit (plus 10% dividend yield paid out).

But I now believe that the biggest profit potential will be more likely to be found in small oil companies. My readers are already familiar with a stock from Canada, which deals with Africa's oil wealth, and has achieved **+29%** profit.

The stock remains one of my safest assets.

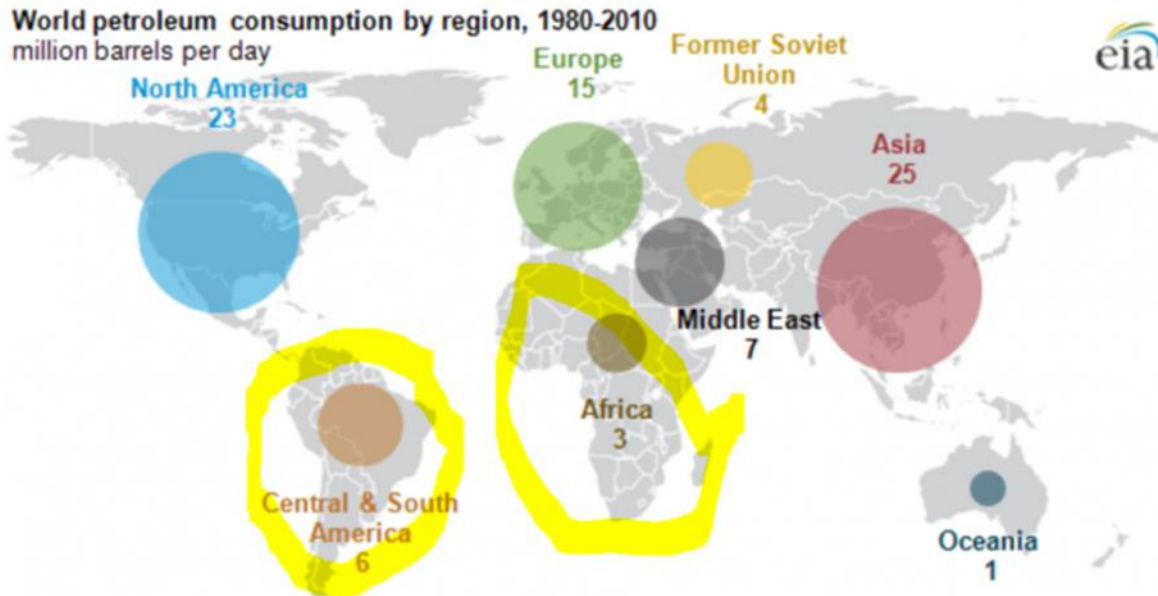
But that is relatively little compared to the **share** I want to introduce to you today, which is showing enormous strength and, in my view, slightly shows the short-term price gain potential of **+100-200%**, as proposed by Peter Lynch. In the long term, the stock is a lucrative lottery ticket to the jackpot.

*Would you agree with me on the following statements?*

- **First**, Africa will need more oil in the coming decade than ever before.
- **Second**, Africa is importing large amounts of oil and fuel, even though they have the reserves on their doorstep.
- **Third**, few countries in Africa are sufficiently developed to play a role on the oil map.

It is therefore a challenge, and not so easy at all, to find a politically stable, well-developed country that has oil reserves and can actually extract them. I have also already mentioned the oil issue with regard to Africa in Report #40. Since then, the price of oil has been holding up well.

Africa consumes the lowest amount of oil in the world – consumption is growing steadily



**Namibia** has the **best chances to get involved in the oil poker game.**

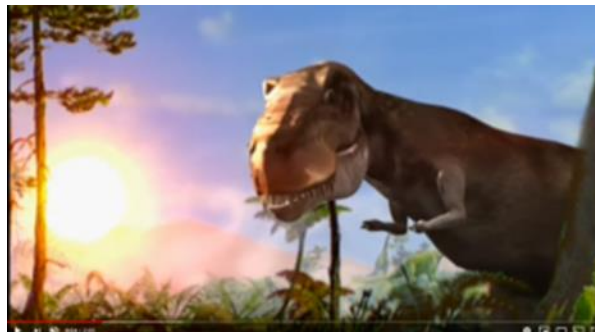
If you have been to Namibia before, or know someone who has traveled or lived there, he will certainly agree that Namibia is completely different from the usual image that investors from Germany have of Africa.

You will understand better why I believe in Namibia's oil-rich future.

It's all about dinosaurs.

You have read correctly, oil is, as we know, from the remains of dinosaurs.

[ARD explains the formation of oil on Youtube](#)



It is known that oil comes from peat, and the peat comes from the processed organic remnants of what was once alive: **animals and plants.**

In short, where dinosaurs lived in larger numbers, the chance of large oil discoveries is likely to be particularly great.

Did you know that the country of Namibia has received its name from the Namib Desert?

The Namib Desert covers most of Namibia. It is the oldest desert in the world and a place that **has been uninhabited since the time of the dinosaurs**. The desert is also rich in unique trees that died 1,000 years ago. This proves how well everything is preserved by the dry desert landscape.

This is the home of **Recon Africa**, which aims to produce oil that will consist of prehistoric dinosaur remains.

This is not a joke, you just have to look up Namibia among the big news agencies.

The news agency **PR-Newswire** published the following [news](#) shortly before the end of the year on December 12, 2019:

**Large oil companies are certain that Namibia will become Africa's next oil production center.**

"Namibia could have as much oil as the offshore salt fields off the coast of Brazil, which have **16 billion barrels of crude oil reserves**."

For this reason, the oil company **Exxon Mobil** has recently secured seven million acres of land to expand its exploration areas off the coast of Namibia through an agreement with the government of Namibia and the state-owned oil company NAMCOR.

Shell may also have identified potential opportunities in the region, as the group believes there is a deep-water petroleum system off the coast. Drilling is planned for the beginning of 2021.

**All of this creates a variety of opportunities for companies such as Exxon Mobil Corporation (NYSE:XOM), Royal Dutch Shell PLC (NYSE:RDS-A), Chevron Corporation (NYSE:CVX) and BP (NYSE:BP).**

Today I would like to turn you on to a very unique [investment tip](#):

Around **5 years ago**, the government of Namibia acquired all available geoseismic data on the Kavango basin to test the crude oil potential on land.

**I see this for the first time in more than two decades on the stock exchange.**

There are many stocks of oil companies that control interesting deposits and individual fields.

In any case, I have never seen a value like this in my career, which spans over two decades. In any case, it has never been possible to participate in the success of an entire oil basin at such an early stage.

That stock has secured access to an entire oil reservoir.

Unlike fields, oil basins hold an economic potential of hundreds of billions of US dollars, dozens of cooperation opportunities and thousands of oil sources.

Bill Cathey, the chief geologist of ReconAfrica, who believes in a very great success, told me on the phone:

***"Nowhere in the world is there a sediment basin at this depth,  
that does not produce oil."***

This is an announcement that I take very seriously as an investor.

How much is each oil basin worth?

Estimate... and consider:

The **entire USA has only 4 oil basins**, from which all oil production stems, and that is more than **10 million barrels per day**.

**Maybe \$100 million, \$1 billion, or \$100 billion?**

**I do not know exactly**, either, but the value of this deposit – provided it turns out to be economic – is likely to be **far into the billions**.

The minuscule market capitalization of **US\$ 26 million looks tiny**.

My new Small Cap oil favorite, to which I personally have a close relationship, offers nothing less.

The few small companies that have ever tapped such deposits made an **exceptionally strong return possible for shareholders**.

That's why I find getting on board at a starting price of only **CAD \$0.52** very interesting:

**Reconnaissance Africa (Toronto: RECO | WKN: A2PRKY | ISIN: CA75624R1082)**

**Current price (13.1.2020) €0.34 | CAD 0.52**

[Link to corporate presentation \(PDF\)](#)



You know how fast that sometimes goes. A few good reports, the first hole and all of a sudden, the stock's current price has multiplied several times over. The speculative potential – even before the first drill hole was started – is roughly up to **+200%**, in my expectation.

But I would stress that with this share, with an **actual oil discovery, which is quite possible** here, **+1,000%** should also be easily possible. But that would also be the mini jackpot. As I said, this company controls an entire oil basin, which to my knowledge is truly unique in the world!

### **Profit from Namibia's oil wealth**

Unlike the rest of Africa, also because of its "German-influenced" history, its **well-developed infrastructure** and the **investment-friendly** climate, **Namibia** is considered the **EU of Africa** and has now opened up to the **oil boom**.

It is probably the only **small-cap on the planet that** controls **an entire oil basin practically on its own**.

I particularly like:

**The potential: 12+ billion barrels of crude oil (worth USD \$720 billion) ...**

...at a crazy...

**>>> market capitalization of US\$ 26 million <<<**

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I am particularly keen on the fact that **management is among the best** that the oil market has to offer.

**I'll back that with my good name.**

I personally waited for this opportunity for over a year, because the preparatory phase for the start-up lasted that long and I kept asking the CEO impatiently when it was finally ready. But a professional can't be deterred, and only when everything was clear and management was firmly in place did it really get going.

**This year's plans are tight:**

- I.) Securing a drilling rig for exploration of the deposit.**
- II.) First deep drill by hole approximately mid-2020.**
- III.) Interpretation of the data.**
- IV.) Strategies such as partnerships with one or more large oil companies or further development.**

With the capital already available, the management of ReconAfrica has secured access to its own drilling rig for carrying out the planned exploratory drilling .

This has the advantage that ReconAfrica does not have to commission expensive drilling, but does everything on its own (but of course has to buy the drilling rig).

Henderson Rigs was tasked to look for a suitable plant, which has already been identified and still in Houston for inspection before being shipped to Namibia.

The [news](#) before Christmas brought this to the point:

## ReconAfrica

### RECONAFRICA ENGAGES HENDERSON RIGS AND APPOINTS DELOITTE AS AUDITORS

*December 12, 2019 – Vancouver, BC – Reconnaissance Energy Africa Ltd. (the "Company" or "ReconAfrica") (TSX-V: RECO) (OTC: LGDOF) (Frankfurt: OXD) is pleased to announce it has engaged Henderson Rigs of Houston, Texas for the purpose of procuring a North American drilling rig and ancillary equipment, specifically designed for Namibian logistics and drilling depths of the Kavango Basin.*

#### **Henderson Rigs**

Henderson Rigs, with locations in Houston and Odessa, Texas and Nisku, Alberta, is a recognized specialist in drilling rig acquisition, refurbishment, rig certification and ongoing support maintenance, providing its services globally to E&P companies and major drilling contractors.

Henderson Rigs has been instrumental in identifying several Texas based drilling rigs ideally suited for drilling in the Kavango basin. ReconAfrica is currently conducting a final technical review of these rig options, in view of securing the best option prior to year-end 2019.

If one day the drill is no longer needed, it can be used for further exploration campaigns in the area where such equipment is very scarce to practically non-existent.

A total of another few million dollars are then estimated for the drilling itself, which ReconAfrica will collect in the course of further stock placements.

That would certainly be a strong argument for buying the shares today, because the price will definitely go up when a broker takes up the matter.

Here, too, management has signaled to me that various options will be intensively examined and that it will be decided with which broker to cooperate more closely in the future.

### **The management is brilliant**

According to my information, the legendary **Ian Telfer** is also involved; he is, the founder, CEO and long-time chairman of **Goldcorp**, which has since merged with **Newmont** into the world's largest gold corporation. He does not hold a supervisory board mandate, but his presence is likely to be a good fortune.

In addition, the company is run by ambitious founders, whom I call the "**Houston Connection**."

These are people who have already traveled the whole world and can explain geologically every oil deposit.

This includes the oil multinationals such as **Anadarko**, the oil company (acquired by Warren Buffett of Occidental Petroleum), **Halliburton**, **Chevron**, and so on.

## Give us our daily barrel of oil today

Everyone is united in the fact that, because of their enormous experience and contacts, they always maintain the best connections from the industrial base to the White House.

That is why I am aware of the influence of these gentlemen who are doing a valuable service to humanity by securing our daily energy supply.

A new era has long since begun for the oil companies.

Today, oil multinationals are trying to feed the oil where it is consumed. That makes sense, especially in countries that could otherwise be increasingly difficult to secure their energy imports because of a rising US dollar.

- **Jay Park**, the CEO, is an experienced oil manager with a lot of African experience and a successful history: Jay Park was also involved in the early part of the oil company Caracal Energy in Chad, Africa. In 2014, the company was sold for a hefty US\$ 1.3 billion.
- **Bill Cathey**, a top geologist at **Earthfield Technology**, has over **25 years of experience in interpreting potential fields**. Earthfield and Bill Cathey were active in virtually all oil fields around the world. His **customers include Chevron, ExxonMobil, ConocoPhillips** and many other large and independent oil and gas companies worldwide. The fact that he keeps his time free for ReconAfrica and also supports the company as actively, as in the [Youtube interview](#), including as a shareholder, speaks very much for the quality and the prospects of this **oil start-up**.

In an interview with Ellis Martin Report, Bill Cathey stresses:

***"I've never seen a similar project that doesn't have exceptionally large deposits of oil and gas."***

Normally, such deposits are developed by international oil multinationals like Shell, which operate in the same structure but in neighboring South Africa.

### Interview with top geologist from ReconAfrica

[https://youtu.be/\\_NWZJCesnI](https://youtu.be/_NWZJCesnI)

- **Scot Evans** joined the company just before Christmas and will be very helpful with his experience with a total of **35 years of experience at Exxon**, Landmark Graphics and Halliburton. In his last position, Mr Evans served as vice president of Halliburton's Integrated Asset Management and Technical Consulting organizations, where he **increased production from 20,000 to more than 100,000 barrels of oil equivalent per day**.

Jay Park (CEO) welcomes Scot Evans in his new position:

***"His vast experience in building unconventional and conventional resources, as well as his deep knowledge of the latest industrial technologies, will prove to be an important factor for us."***

I agree with this view. Mr Evans convinced me during our telephone call with a profound knowledge of the oil deposits worldwide.



Mr Cathey did the full interpretation of the magnetic surveying of the Kavango basin for ReconAfrica, and Mr Evans recently created the equivalent of a medium-sized oil company in his broad area of responsibility at **Halliburton**.

As a team, they want to repeat this **great historic success** for the shareholders of **ReconAfrica** and to become rich.

You too can become rich if the experience and assumptions of these full-time professionals are confirmed.

**49% of all shares are held by management and insiders who are fully convinced of the potential:**

KEY STATISTICS	
RECONNAISSANCE ENERGY AFRICA LTD.	
➤ TSX.V: RECO	
➤ Shares outstanding	63.9 MM
➤ Fully diluted	84.1 MM
➤ Current Share Price (Dec 11)	C\$0.53
➤ Market Capitalization	C\$33.8 MM
➤ Insider Ownership (Escrowed)	49%

I believe these professionals in the oil industry, and therefore had an in-depth telephone call with the parties shortly before Christmas.

There, management confirmed to me once again, that virtually all capital measures, such as the most recent one, where **CA\$ 1.5 million** was invested **at the price of CAD 0.50** (more information in the PDF [news release](#)), were created exclusively for partners with the primary goal of unifying the "**technical team**" and of participating in the **future success** of the company.

**That means nothing more than:**

***You can now take part in the ReconAfrica Story at practically the same price as senior insiders did.***

These shares are unlikely to have been acquired due to a gain of a few percent. The aim here is probably to scoop the huge profit that would be possible in **developing a completely new oil-producing basin** on the map.

Namibia has long been offering unique conditions for foreign companies.

The country, which was under German control before the First World War, is a small enclave of former Europe.

With regard to **beautiful architecture, clean roads, well-developed transport routes and rail links, as well as general well-being**, Namibia, with its German mentality, is more reminiscent of the south of the EU than of "Africa".

In 2020, today's Namibian state will celebrate its **thirtieth anniversary**.

This is still very young, but it functions in a rational and practical manner as one was once used to seeing in Germany and it contributes to prosperity for all.

In order to **attract oil companies**, Namibia has introduced **one of the lowest direct production tax rates**, at **5%**.

Companies do not face bureaucratic hurdles, no attempts are made to take bribes from them, the state does not intervene in them and instead becomes a 10% partner, as with ReconAfrica, and provides the entire state-owned area for oil exploration.

**You need to know these highlights about ReconAfrica:**

- The company holds the entire Kavango basin in Namibia at 25,000 km<sup>2</sup> – roughly as large as the whole of **Brandenburg**.
- Sproule, a Tier 1 resource valuation company, estimates that Kavango has a potential of **12 billion barrels of oil** and **119 trillion cubic feet of natural gas**. Conventional potential is added to the well-known shale layers alone.
- It is **not just a normal exploration license over 4 years**, but it leads **without detours (!)** to a **25-year production** license when an economic deposit is discovered.
- The management is accompanied by experienced experts from the oil industry.

### **The opportunity is unique**

In any case, Namibia is still completely new on the oil map of the big corporations, but not a blank sheet.

The current developments focus on offshore deposits off the coast of Namibia, which are part of the same structure as the Brazilian offshore deposits. Big oil giants like Exxon Mobil are operating there.

But the potential on land has only been explored in theory.

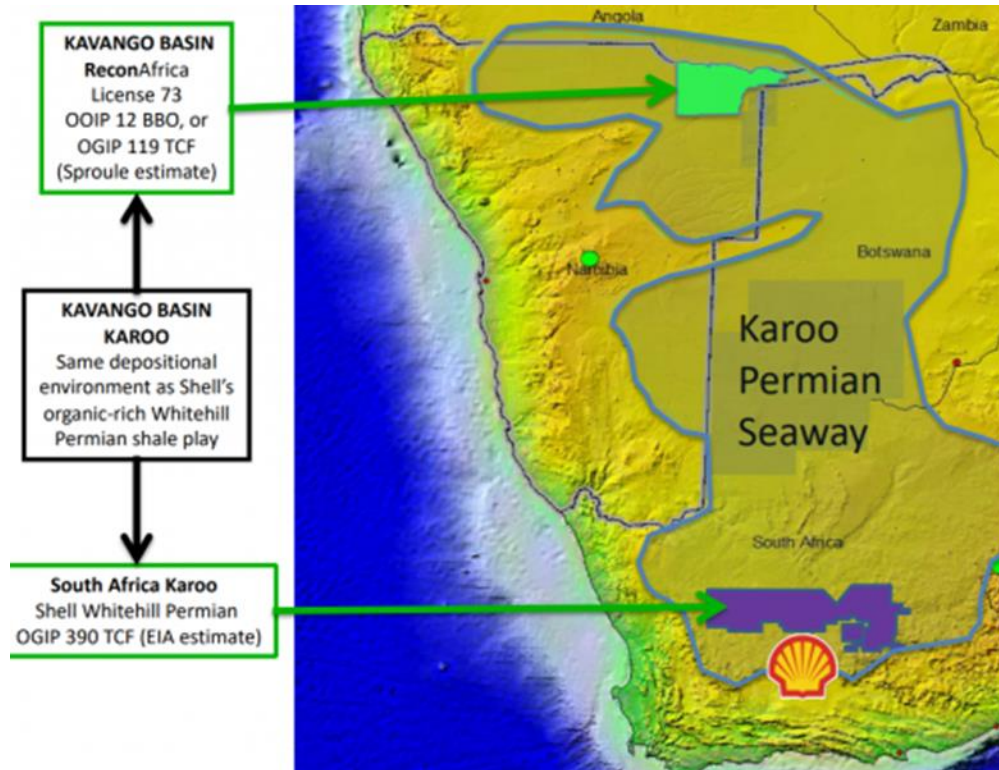
Namibia wants to become independent of oil imports.

According to Namibian import statistics for 2018, the country spent more than **N\$ 11.4 billion** on imports of oil, gas and their refining products.

Now we get down to the details

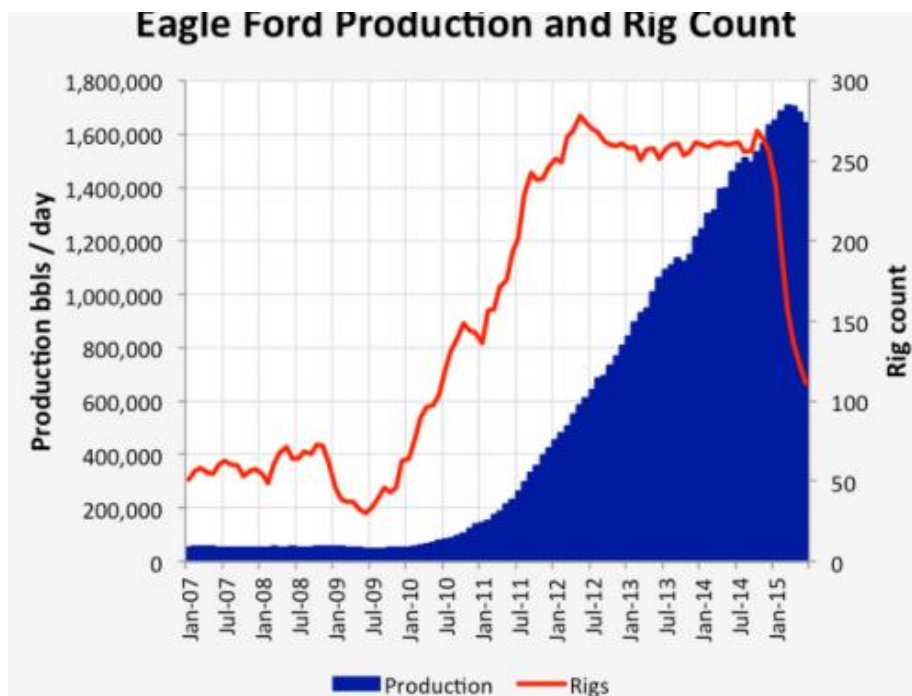
### **The deposit**

Namibia's **Kavango basin** is part of the geology of the Karoo formation, such as the **Whitehill Perm shale area in South Africa**, which is controlled by the Shell Group.



The potential is comparable to the **Eagle-Ford Basin (USA)** with an average of 1.5 million barrels of oil production per day. This represents an economic potential of around **US\$ 90 million in daily revenue, or more than US\$30 billion per year.**

**The impressive growth curve of oil production in the Eagle-Ford basin:**



ReconAfrica controls 90% of its oil basin, free of loads, debt-free. The other 10% is held by Namibia's state-owned oil company.

The management can thereby trust that the Namibian government will fully support the company.

The Kavango Basin is located north of Namibia's capital Windhoek. A motorway runs through the licensed area and there are links about 100 kilometers away that connect to important infrastructure such as the railway.

Namibia is one of the most investor-friendly countries in Africa, both in terms of legal status, organization and history. Many German companies and private individuals have been firmly rooted in Namibia for over a century.

Namibia has developed a special treat for the oil industry.

In order to bring billions into the country, oil production is only covered by a license fee of 5%.

In other words, 95% of oil revenues before taxes remain with the company that is pumping in investments, with taxes also set at 35% being very low.

When you visit the capital Windhoek, you will find that there is hope for economic growth and prosperity. The government follows the path taken by the successful, emerging Asian countries of Malaysia, Singapore or Thailand and have lifted their cities from poverty.

**Do you imagine such cityscapes when you think of Africa?**



## Namibia is now beginning the construction of a strong base with the help of crude oil

There is therefore a real opportunity to create a center of prosperity in Africa.

With Reconnaissance Africa, you will have the unique opportunity to participate in the discovery of an entire oil basin from the very beginning. How many undiscovered oil basins are there in the world after that? (Maybe 1-2 in Antarctica).

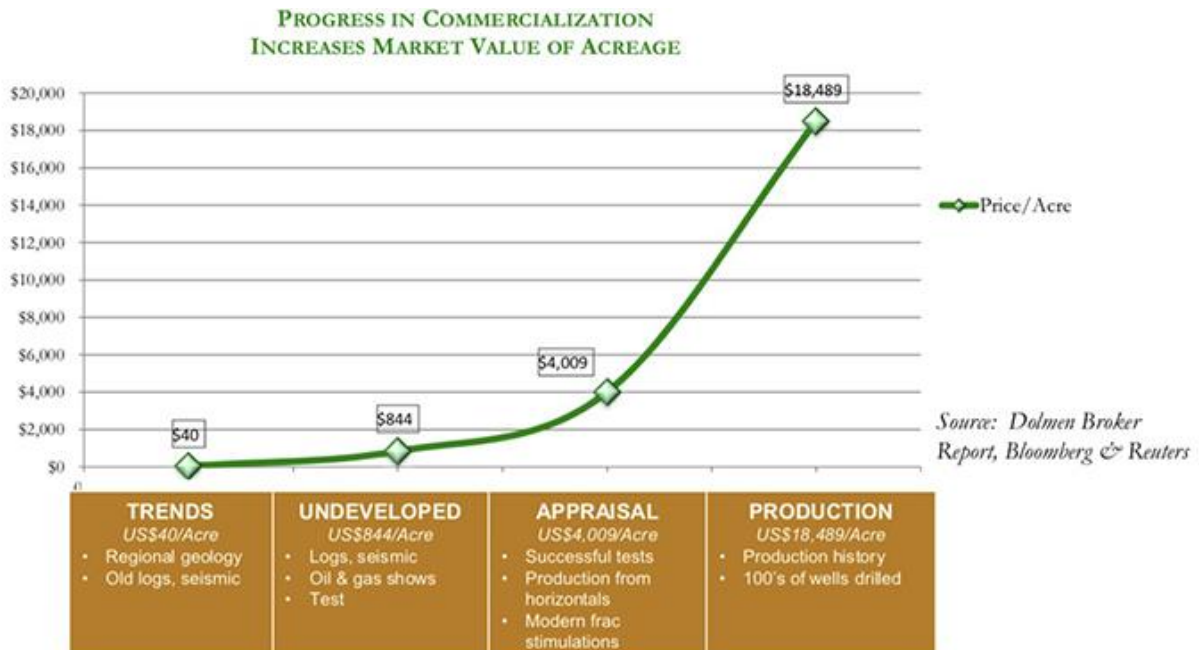
Over the next two years, I expect a major investment boom in the global oil sector, which will massively increase valuations overall, especially for newcomers like Namibia.

The potential is there. By developing the existing oil basin in a targeted manner alone, one can present an enormous re-evaluation curve.

At a market capitalization of US\$ 26 million and 6.3 million acres, the current oil basin valuation is only US\$ 4 per acre, representing just one tenth of what similarly developed commercial oil fields have. With corresponding drilling and initial production tests, this value can even be increased by 20 times...

This means that before the first production **source** flows, it would be **conceivable** to upgrade by a **factor of 211x** of today's market capitalization from **US\$ 26 million to US\$ 5.5 billion**. Of course, this does not happen overnight and requires corresponding drilling successes! Nevertheless, I would like to make you aware of the potential for profit.

### The assessment of oil fields from a Bloomberg and Reuters report:



## Your opportunity

If you buy the stock now at the current price of around CA\$ 0.51 (EUR 0.35), it would be a price gain of up to **+21,053%** for speculators.

OK, that only applies to market capitalization, which would certainly be marked on the way up by a few capital increases.

But it's logical that I just have to imagine such a stock with such a huge upside potential. Even if, as always, there are risks to be taken into account when no oil is found.

In all euphoria, you should consider this possibility and therefore not mortgage the house and the yard. Therefore, consider Reco Africa as a lottery ticket, where you should get in with a small bet. If that's how you approach the matter and invest only an amount that you can spare in the worst case, then you're doing it right.

Your success means a lot to me and I don't want inexperienced investors especially buying too high and too much. On the other hand, management and insiders are extremely experienced and have already developed further oil reserves of this kind worldwide. If such a team is enthusiastic about it, then so am I!

Now it's down to the fine details.

**For me, ReconAfrica is one of the first swallows to begin its journey now.**

Get a little bit of it – ideally today or in the next few days and profit from the enormous discovery potential of Namibia's oil sources. Buy directly from the Toronto Domestic Exchange and limit your order.

Chart of Reconnaissance African Energy provided by TradingView

<https://de.tradingview.com/symbols/TSXV-RECO/>

You



Günther Goldherz,  
Editor-in-chief, Goldherz Report

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The stock exchange letter "The Gold Herz Report" is a product of the

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