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Strathmore Minerals Corp: Monetizing Its Metals

A Monday Morning Musing from Mickey the Mercenary Geologist

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Strathmore Minerals Corp (STM.V) is a company that I covered soon after my analyst business started three years ago. I was at the New York Hard Assets Conference in May 2007 at the height of the uranium craze and looking for any undervalued company in that space.

I saw my old friend Dr. Dieter Krewedl in one of the 20 elevators at the Marriott Marquis. I've known Dieter since 1980 when he was Pathfinder Uranium's exploration manager in Albuquerque and figured if anyone followed the junior uranium biz closely, it would be Dieter.

I asked him a usual question: What's your favorite uranium company? And of course, Dieter had a great story that he was involved in as a director: A uranium development company called Strathmore Minerals Corp. It has been undervalued with respect to its peers since I first reported on the company in a private technical evaluation in July 2007 and an updated version in December 2007.

Strathmore has recent news and it is very good indeed:

- In late January, STM completed an oversubscribed \$8.4 million private placement.
- In mid-March, it announced the start of a bankable feasibility study on its Roca Honda deposit in the Grants Minerals Belt with joint venture partner and Fortune 500 company Sumitomo of Japan.
- Today Strathmore announced the completed sale of its Pine Tree-Reno Creek ISR project in the Powder River Basin of Wyoming to Bayswater Uranium for US\$17.5 million in cash, 4.2 million shares currently worth US \$2.5 million, and a 5% gross proceeds royalty buyable for US \$10 million. Note that STM now owns 19.9% of Bayswater Uranium (BYU.V) shares and will participate handsomely in BYU's upside as the project is permitted and developed.

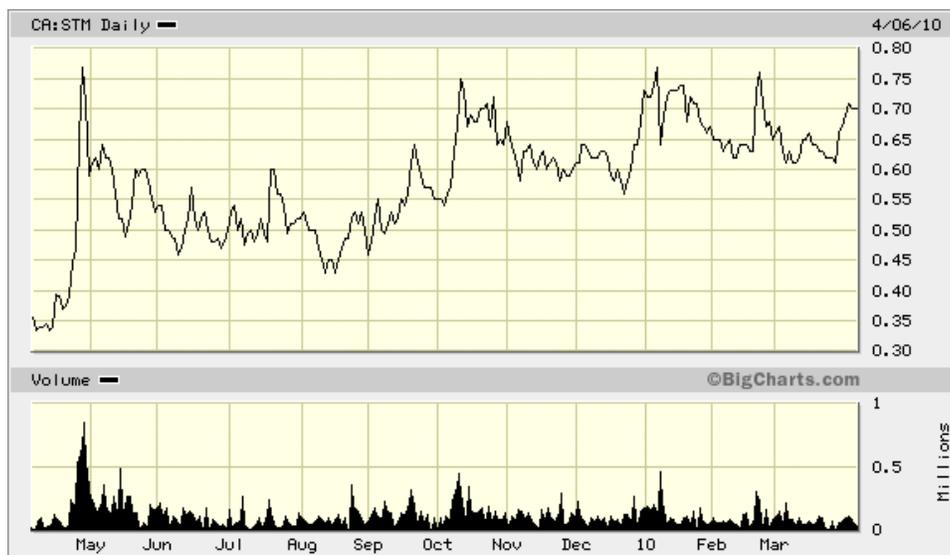
Strathmore's has two flagship projects: Roca Honda, New Mexico and Gas Hills, Wyoming that contain drilled out historic and 43-101 resources. Both are in the advanced permitting stage.

The company's strategy with its remaining eight uranium projects containing historic and 43-101 qualified resources is to monetize them via outright sale or joint-venture. This process began with sale of seven Wyoming state mineral leases to Australian junior Peninsula Minerals in August 2009 and the aforementioned Pine Tree-Reno Creek deal.

I first wrote publicly about Strathmore Minerals in a [Mercenary Musing on March 9, 2009](#), a day when the stock traded as low 21.5 cents. It reached its current 52 week high seven weeks later at 82 cents. Folks, that's nearly a four-bagger in less than two months. I provided an update last fall ([Mercenary Musing, November 11, 2009](#)).

The one year chart is shown below. The yearly low is 30.5 cents and the 30 day high and low is 80 and 60 cents respectively. Over the past year Strathmore Minerals Corp has traded an average of 425,000 shares per week which I classify as low liquidity with 87.7 million shares outstanding. There are 7.5 million options priced from 41 cents to \$1.25 with expiries from October 2011 to February 2015 and 8.5 million warrants at 75 cents that expire in January 2012. STM has 103.7 million shares fully diluted.

Sprott Asset Management is the largest shareholder at 15.1 % and PALA Investments, a private Swiss equity group, holds 8.3%. Strathmore insiders control 4%. There are over 63 million shares in the public float.



For the past six months Strathmore has traded in a range of 55-75 cents and has built a strong base on moderate volumes during this period.

After the recent sale, STM has 125 million pounds of historic and 43-101 qualified uranium resources in-the-ground. Its working capital with cash and tradable securities is \$29 million, enough to carry the company thru the feasibility study at Roca Honda and mine permit application at Gas Hills. With a current market capitalization of about \$60 million, the company is trading at about two times cash and, ignoring the cash position, the market is valuing its pounds-in-the-ground at 48 cents.

A peer group of eight advanced exploration and development companies operating in New Mexico, Wyoming, South Texas, and Colorado has an average market value of \$2.46 per pound in the ground uranium. Therefore, Strathmore is severely undervalued compared to its peers in the Western United States.

For the remaining three quarters of 2010, Strathmore Minerals Corp will focus on permitting its two core uranium development projects and the feasibility study at Roca Honda. In addition the company will continue its plan to monetize or joint venture non-core projects. Discussions with interested parties are in progress.

I became a long term investor in Strathmore Minerals Corp soon after I met management in the late spring of 2007 and periodically add to my position on weakness. It is a continuing sponsor of my website. My bias is evident.

I am a committed shareholder of Strathmore because of its flagship projects and its management and technical teams. Simply put, it has two of the best undeveloped, conventional uranium projects in the United States and the permitting, development, mining, and processing teams in place to successfully advance these projects to profitable mines.

Plus it is grossly undervalued with respect to its peers. I think STM is a compelling story at its current share price of about 70 cents and market cap of \$60 million.

As always, due your own research, peruse the company's website, call its corporate development director, review my previous reports, and see if you agree or disagree with me. You and you alone are responsible for your investment decisions.

Ciao for now,

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The [Mercenary Geologist Michael S. "Mickey" Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, newsletter writer, and speaker.

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