



Mercenary Alert

Strathmore Minerals Corp: Moving Toward Mine Development

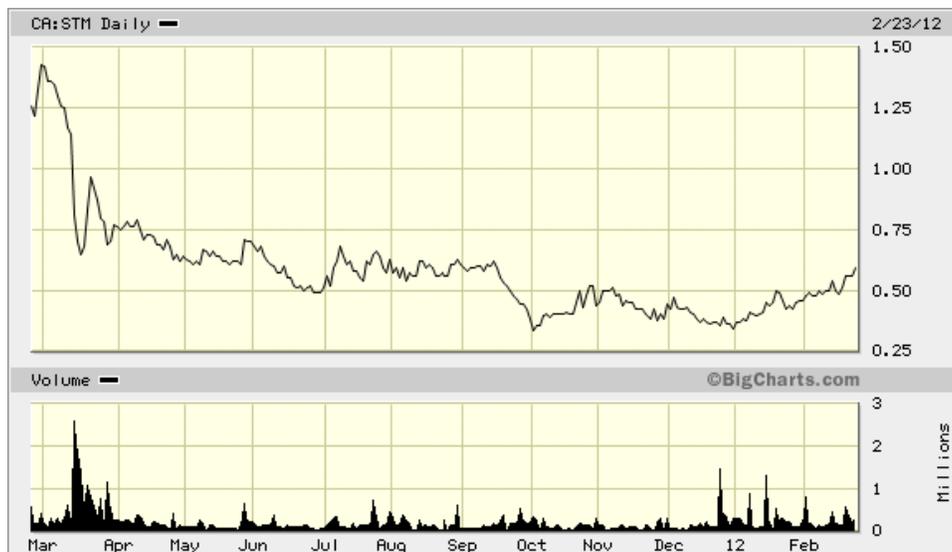
A Special Alert Musing from Mickey the Mercenary Geologist

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[Strathmore Minerals Corp \(STM.T\)](#) is the longest continuing sponsor of my website. I first covered the company in two private reports in July and November 2007, and it became a sponsor while trading at multi-year lows of 22 cents or less in March 2009 ([Mercenary Musing, March 9, 2009](#)). Strathmore returned more than a triple in seven weeks at 82 cents and went on to post a high trade of \$1.68 in early February 2011.

All uranium stocks took a big dive post-Fukushima and is illustrated by Strathmore's fall in mid-March. During the October commodities correction and December's tax-loss season, the company traded briefly in the mid-30 cent range. It has since rallied into the upper-50s on a recently buoyant uranium sector and positive news from the uranium development front:



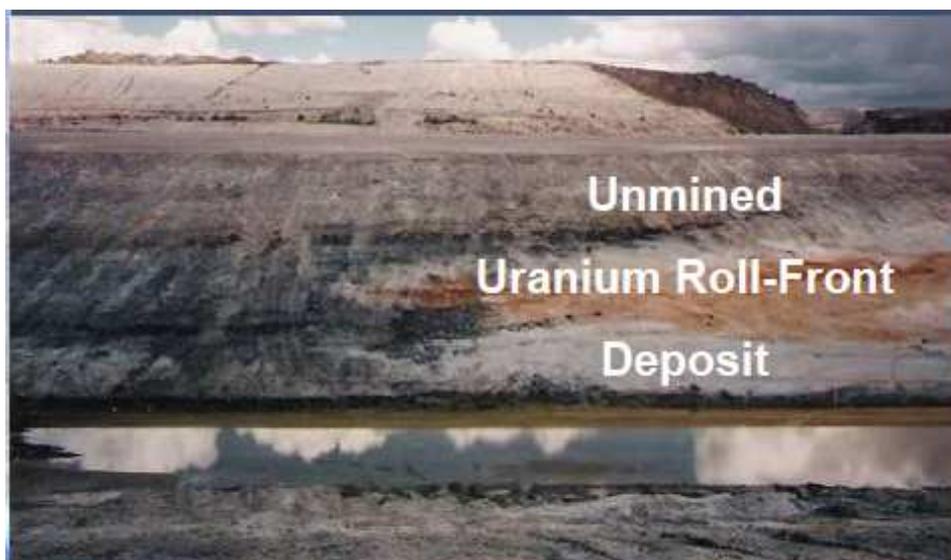
Strathmore Minerals Corp has 104.5 million shares outstanding and 114.8 million shares fully diluted with options and employee stock compensation plan. In my opinion, this is a relatively high but reasonable number, with feasibility studies and mine permitting in progress on two uranium deposits in the Western United States. Market capitalization is about \$60 million and the company is cashed-up with \$20.5 million. The 2012 budget is \$13.2 million with \$3.2 million of that coming from New Mexico joint-venture partner Sumitomo.

In addition to its cash position, Strathmore holds strategic interests in three Wyoming uranium deposits from divestiture of non-core assets over the past two years. Its holdings include: Over 2.7 million shares of Bayswater Uranium (BYU.V) and a 5% gross production royalty on the Reno Creek ISR project; a 4% royalty on Peninsular Energy Ltd's (PEN.ASX) Lance ISR project; and currently over a half million shares and a 2% royalty via a phased earn-in of the Juniper Ridge deposit by Crosshair Energy (CXZ.AMEX). The next payment for this agreement is due in November 2012 and will be a minimum value of \$2.6 million in cash and shares.

Since my last update on Strathmore ([Mercenary Musing, September, 2011](#)), the company signed a definitive joint-venture agreement on the Gas Hills, Wyoming project with Korean Electric Power Company (KEPCO), including a significant equity investment for \$8 million priced 10% above market making KEPCO the largest shareholder of STM at 14%.

This financing will be used for Phase I exploration of the Beaver Rim target area and for ongoing permitting activities on the company's Gas Hills development properties. Upon completion of Phase I, KEPCO will have the right to participate in a Phase II development program to earn 40% interest in the Gas Hills project by spending \$32 million over three years. It is entitled to a long-term off-take contract from future uranium production based on its proportionate interest in the Gas Hills project. In a separate agreement, KEPCO can acquire uranium equal to its share percentage in STM from all other company projects except for pre-existing contracts.

Strathmore has contracted for a 43-101 resource estimate for its near-surface Gas Hills deposits with delivery expected in Q2. The company plans to initiate a feasibility study soon and submit a mine permit application to the Wyoming Department of Environmental Quality in the latter half of this year.



Gas Hills Shallow Uranium Deposit

The company continues to advance its second core uranium project, Roca Honda in the Grants Mineral Belt of New Mexico, towards development. In October 2009 STM along with 40% partner Sumitomo Corporation submitted the Roca Honda mine permit application, which was deemed "administratively complete" by New Mexico regulatory agencies, and is now undergoing technical review.

This year STM anticipates completing a pre-feasibility study of Roca Honda in early Q2, submitting a NRC mill license application in Q3, tabling a bankable feasibility study in Q3, and completing its Environmental Impact Statement in Q4. Upon delivery of the final feasibility study, Sumitomo can complete its 40% earn-in by providing the first \$50 million for project development. Roca Honda is one of the highest grade and largest uranium deposits currently proposed for development in the United States, with 17.5 million lbs grading 0.23% U_3O_8 in measured and indicated resources and 15.8 million lbs in the inferred category at 0.17%:



2007 Monitor Well Drilling at Roca Honda Deposit

Strathmore has largely funded exploration, permitting, and economic studies of its two flagship projects by divestiture of non-core development properties over the past three-plus years. It currently holds eight other significant uranium assets that are offered for sale or joint venture. These include the following 43-101 compliant Measured and Indicated uranium resources in the Grants Mineral Belt of New Mexico:

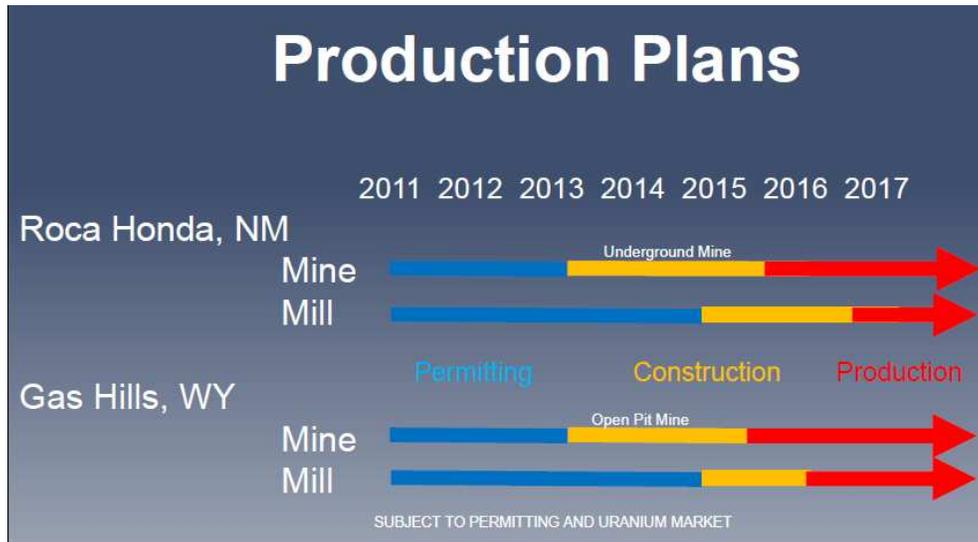
- Marquez deposit: 9.1 million lbs; 4.9 million lbs inferred; exploration potential.
- Church Rock deposit: 11.8 million lbs; 3.5 million lbs inferred.
- Nose Rock deposit: 2.6 million pounds; 0.4 million lbs inferred; plus historic resources.
- Dalton Pass deposit: 3.0 million pounds; 1.5 million lbs inferred.

Wyoming holdings include:

- Sky deposit: 0.9 million lbs; exploration potential.
- Copper Mountain project: Historic resource and exploration potential.
- Ketchum Buttes project: Historic resource and exploration potential.
- Shirley Basin project: Historic resource and exploration potential.

2012 should prove to be a watershed year for Strathmore Minerals Corp with its two flagship properties scheduled to reach important milestones toward development. The Gantt chart below shows the current timetable for permitting, mine development, mill construction, and production of yellowcake for each

project. If all goes to plan, Strathmore Minerals is scheduled to commence construction of both the underground mine at Roca Honda and the open-pit mine in the Gas Hills in late 2013. Note however, the cautionary statement at the bottom that states: “Subject to Permitting and Uranium Market”:



Timeline to New Mexico and Wyoming Uranium Production

Strathmore Minerals has largely eliminated the technical risk on its two flagship projects and should encounter only the execution risk of financing and permitting as it nears mine development.

Two giant corporations with deep pockets, Japan’s Sumitomo and the Korea Power Company, are strong financial partners for STM in New Mexico and Wyoming respectively. These partners are strongly committed to obtaining secure supplies of uranium via long-term off-take contracts. In addition to their sovereign requirements to power domestic nuclear reactors, both countries are deeply involved in exporting nuclear reactor technology to Asian and Eastern European countries in the coming decade. They must be able to guarantee a steady supply of yellowcake to their customers. It appears to me that given a viable worldwide nuclear power industry, financial risk is of no great concern at present.

The main risk that Strathmore faces will be permitting on a timely basis. This is not unique but a task that unfortunately burdens most new infrastructure, construction, and development projects anywhere in the United States and increasingly, the rest of the world.

In my opinion, STM’s biggest challenge at Roca Honda, New Mexico will be getting the toll mill licensed by the NRC in a timely fashion. The company has selected a mill site on a section of land 42 km northwest of the deposit, has surface ownership, and as mentioned above, will submit the mill permit application later this year. The Gas Hills mill facility will be a heap leach operation with a processing plant and perhaps will be quicker to permit in Wyoming, a very mining-friendly state.

That said, I remain a uranium bull based upon the bright future for clean and green nuclear power and simple supply and demand fundamentals. Folks, the world uses 20-30% more uranium every year than is mined. We must develop new uranium mines, especially in the USA where we currently import 93% of the uranium that allows one out every five Americans to see the light when he flips a switch.

There are trades and there are investments in the junior resource sector. I consider Strathmore to be one of my key investments, and I think it is a company that will ultimately succeed in uranium development space and reward shareholders handsomely. Note that because I am a dedicated shareholder and it is a paying sponsor of my website, my views are colored by a vested financial interest in the company.

I urge you to take a look at Strathmore Minerals Corp to determine if you agree or disagree about its prospects for success.

Ciao for now,

Mickey Fulp
Mercenary Geologist



Acknowledgement: Erin Ostrom is the editor of MercenaryGeologist.com.

The [Mercenary Geologist Michael S. "Mickey" Fulp](http://MercenaryGeologist.com) 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 over 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 24 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 and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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