



Mercenary Alert: Strathmore Minerals Inc: A Success Story Is Scripted

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

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I previously documented my five-year history as a dedicated shareholder and analyst covering **[Strathmore Minerals Inc \(STM.T\)](#)**. My last musing on the company offered this prediction: “*A business combination with STM and a regionally-based uranium developer seems a likely scenario in the short to mid-term*” (**[Mercenary Alert, December 24, 2012](#)**). I then went on record via BNN and Andrew Bell’s Commodity show on February 1 and when asked, suggested Energy Fuels Inc as a possible suitor.

The term was indeed short, with outright sale of Strathmore Minerals to Energy Fuels Inc ((EFR.T), the USA’s only conventional uranium producer, announced in late May. Korean Electric Power Company (KEPCO), the largest shareholder of both companies, recently registered its support for the takeover, and EFR shareholders approved the deal on August 13. STM shareholders are expected to approve it tomorrow and closing is scheduled by month’s end.

Current Strathmore shareholders will receive 1.47 shares of EFR per share of STM. I will leave the dollar valuations of the deal to numerous number-crunching analysts. But as one with a substantial sum of money invested in STM, I will be happy to become a shareholder of uranium producer EFR alongside its major shareholder, the aforementioned KEPCO.

Let’s review Strathmore Minerals share performance since I initiated public coverage after market on March 6, 2009 at a share price of 22 cents. My timing was good for subscribers who follow my work closely as the price surged to 82 cents within seven weeks, for nearly a four-bagger. STM then traded in a range from 60 to 80 cents until a correction in commodities followed by the first Greek “crisis” hit all markets in the spring of 2010. The stock dipped as low as 40 cents but was rejuvenated by the spot price of uranium, which rose from 40 cents to over 70 cents from July 2010 to February 2011. During this period, Strathmore reached a high of \$1.68.

All uranium stocks took a nosedive upon the March 11, 2011 Japanese earthquake and tsunami that caused the nuclear power plant incident at Fukushima. Strathmore lost nearly 60% of its market capitalization in the near-term aftermath, trading as low as 60 cents. Since that time, it has continued to trade broadly lower during the ongoing bear market for junior resource explorers and developers. Strathmore hit a low of 13.5 cents in mid-April before rallying on announcement of EFR’s takeover on

May 24 at a deemed price of 23 cents, or about 30% above its 20-day moving average. There has been a recent rally in Strathmore stock as the deal approaches its closing date. STM has traded as high as 29 cents over the past week, coincidentally the same price it reached when I predicted a takeover and suggested Energy Fuels as a likely suitor in the television interview on February 1. It closed today at 27 cents on low volume.



I opine that this deal is accretive for shareholders of both companies. Energy Fuels acquires well over 50 million pounds of qualified uranium resources in the western USA, including STM's flagship Roca Honda deposit in the Grants Mineral Belt, New Mexico, and its Gas Hills deposits in Wyoming.

Roca Honda ore is within trucking distance of Energy Fuel's White Mesa mill in Blanding, Utah, and the takeover also gives EFT exposure to Sumitomo, Strathmore's 40% partner at that project. The shallow Gas Hills deposits complement EFR's Sheep Mountain deposit to the south, where there are plans to build an open-pit heap leach operation. Energy Fuels also gains Strathmore's other uranium development projects in New Mexico, its uranium exploration projects in Wyoming, and a copper-gold resource in southeastern Wyoming.

With this acquisition, Energy Fuels Inc becomes the sole USA conventional uranium developer and producer. It accounts for about a quarter of domestic uranium production and is well-positioned with attractively priced long-term contracts. In addition, EFR now has a growing production profile that would be strongly leveraged for anticipated spot price increases in the mid-term. Its White Mesa mill currently produces at a fraction of capacity and this acquisition improves opportunities to substantially increase yellowcake production in the mid-to long-term.

As a group, current Strathmore shareholders will hold about 21% of Energy Fuels and KEPCO will hold 9.6% post-acquisition. It seems likely that each will gain a seat on EFR's Board of Directors.

At its recent meeting, Energy Fuels shareholders overwhelmingly approved the takeover. A proposed share consolidation is to be completed post-Strathmore acquisition. The rollback will increase EFR's share value and allow it to pursue a listing on one of the United States' major stock exchanges. All of its current operations and future developments are domestic, and a US listing will allow better access to current shareholders and enhance its attractiveness to new American investors, both retail and institutional.

Strathmore Minerals shareholders meet tomorrow to vote; I will attend that meeting in Vancouver, have voted my shares in favor, and anticipate overwhelming support for the acquisition.

I look forward to bigger and better things for the combined Energy Fuels Inc as a growing domestic uranium producer and developer. I met with EFR management in the mid-spring and was pleased with its business plan and growth potential.

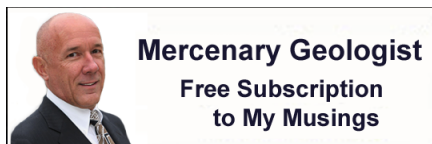
As we are all aware, the overall chances of success in the junior resource sector are slim at best. Strathmore Minerals Corp has successfully scripted an exit strategy that I opine will reward shareholders going forward. There is always a sense of satisfaction when one of my significant shareholdings achieves its goal.

I congratulate management of both companies for a deal well done and hope that my loyal subscribers are as excited by this takeout as I am. I look forward to continuing as a committed Energy Fuels Inc shareholder. Rest assured, I will be monitoring its progress as the above scenarios play out over the next few months.

Stay tuned; same Mercenary time (Mondays); same Mercenary channel (MercenaryGeologist.com).

Ciao for now,

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Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 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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