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Mercenary Alert: Strathmore Minerals Corp
Unique and Undervalued Uranium Assets

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

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For well over three years I have enjoyed a business relationship with **Strathmore Minerals Corp (STM.T)** I commenced formal newsletter coverage of the company in the early spring of 2009 and have written periodically about it since. Background information can be obtained from previous musings (**March 9, 2009**; **November 9, 2009**; **April 7, 2010**; **February 24, 2012**). I herein provide a year-end update.

During 2012 Strathmore Minerals continued to advance its two flagship properties in the USA's premier uranium districts.

In the Gas Hills of Wyoming, STM completed exploration and development drilling on five of nine mineralized areas as part of an $8 million effort with partner Korean Electric Power Company (KEPCO) to upgrade historic resources into 43-101 compliance. It also completed exploration holes on Beaver Rim targets adjacent to Cameco's proposed ISR mining units. In late October the company filed a mine permit application with the Wyoming Department of Environmental Quality and Bureau of Land Management for its shallow open-pittable deposits in late October. KEPCO can earn up to 40% by funding a three year $32 million development program commencing in 2013.

At Roca Honda in New Mexico's Grants Mineral Belt, Strathmore and partner Sumitomo tabled a preliminary economic assessment in August based on 43-101 qualified measured and indicated resources of 16.8 million pounds grading 0.40% U_3O_8 and inferred resources of 11.9 million pounds grading 0.41% U_3O_8. Using a long-term base case price of $75/lb, 8% discount, a conventional underground mine/mill complex, mine life of nine years, and 94% recovery, the model requires a life-of-mine capital expenditure of $445 million with all-in costs of $44/lb. It produced a pre-tax NPV of $220 million, IRR of 19.2%, and payback in four years.

Shortly after my February 2012 report, Strathmore Minerals announced the acquisition of privately-held Saratoga Gold with issuance of 18.3 million shares. Its main asset is a low-grade copper-gold deposit in southeastern Wyoming. In September, the company issued a preliminary economic assessment for the Copper King deposit based on 43-101 measured and indicated resources of 54 million tonnes grading

0.19% Cu and 0.53 g/t Au and an inferred resource of 14.7 million tonnes grading 0.20% Cu and 0.38 g/t Au. Although this study should be considered a first-pass analysis, the deposit is potentially economic at base case prices of $3.00/lb Cu and $1100/oz Au. The model employed an 18-year mine life, initial capital costs of $105 million, 79% recovery for copper and 72% for gold, 5% state royalty, and 5% discount rate for a conventional open-pit, mine/mill complex. Pre-tax NPV was $160 million, IRR was 31%, and payback was 2.4 years.

In early December, Strathmore announced that Crosshair Energy Corp (CXZ) had returned the Juniper Ridge uranium project in southern Wyoming. STM owns 100% of the project, but now it has a 43-101 qualified indicated resource of 5.2 million lbs grading 0.06% U_3O_8 based on over 2000 historic holes and 400 of 549 holes drilled by CXZ.

Like its peer uranium developers, Strathmore Minerals Corp's share price has performed quite poorly since its high of $1.68 prior to the Fukushima incident in mid-March 2011 and the 22-month bear market in junior resource stocks. It is trading in the low 20 cent range. The company now has123.7 million shares outstanding after the Saratoga acquisition and 137.8 million fully diluted with options and its employee stock compensation plan. KEPCO is the largest shareholder at 11.8%. Strathmore's current market capitalization is about $30 million with a reported cash position of $8.0 million as of September 30.

There is little doubt that Strathmore Minerals Corp is a particularly beaten-down stock in an overall beaten-down uranium sector. Current 43-101 and historic resources in New Mexico and Wyoming total 105.1 million pounds-in-the-ground U_3O_8. This gives the company a market value of 29 cents /lb in-situ, certainly among the lowest in its North American peer group.

We saw the uranium spot price lose 17% in 2012 despite a 10% rally to $44/lb over the past month. In a recent interview I spoke about the reasons for this decline (**Mercenary Interview, December 20, 2012**). However, the long-term contract price has remained steady at about $60/lb.

For new conventional uranium mine projects to be economic, a long-term price of $75-80/lb is required. Recently, major mining companies shelved three large projects slated for production by mid-decade in Africa, Australia, and Canada. Likewise, Strathmore's projects will require the aforementioned price to warrant development.

In my opinion, supply destruction from delayed projects and cessation of the USA-Russian HEU to LEU program in a year combined with increased demand as new reactors come on line, bodes well for the uranium price in the mid-term.

For the past several years, Strathmore has successfully funded its exploration and development activities by selling non-core uranium development properties and thru funding by joint venture partners Sumitomo and KEPCO. Sales of these properties have been valued at approximately $1.50/ lb in-situ; compare that with STM's current valuation of 29 cents/lb.

The company currently holds six uranium projects with qualified or historic resources in New Mexico and Wyoming that are available for option or joint venture. In addition, the company holds royalties on two ISR properties in development in the Powder River Basin:

- 5% gross royalty on the Pacific Road Capital-Bayswater Uranium (BYU.V) Reno Creek project.
- 4% gross royalty on portions of Peninsula Minerals' (PEN.ASX) Lance project.

I expect that Strathmore will continue to fund its development activities by divestiture of non-core assets or by monetizing future royalty streams.

I also foresee further consolidation of the New Mexico uranium patch. As stated in previous musings, Strathmore controls a portion of all the major deposits in the Grants Mineral Belt, including Roca Honda, Marquez, Church Rock, Dalton Pass, and Nose Rock. A business combination with STM and a regionally-based uranium developer seems a likely scenario in the short to mid-term.

The Copper King copper-gold deposit is not a core uranium asset and the market gives it little value to the uranium development company. Strathmore is reviewing its 2013 plans to advance the project. Following that, a spin-out, joint venture or other type of divestiture is possible in the mid-term.

Strathmore is expected to reach two milestones in early 2013 that could be catalysts for its share price:

- Qualified resource estimates for five deposits in the Gas Hills.

- Completion of the Roca Honda Environmental Impact Statement by the United States Forest Service and submission for 60 days of public comment.

With 2012 tax-loss selling ending, the above achievements, and an anticipated higher uranium price, I look for a rebound in market valuation for Strathmore Minerals in 2013. We had previous success with this stock by picking it at 22 cents in late Q1 of 2009; within seven weeks it was trading at 82 cents. Once again, I think this could be an opportune time to accumulate a new position or average down on current holdings of STM.

Please note that Strathmore Minerals Corp is a paying sponsor and I am a committed long-term shareholder. My views are conflicted by financial involvement and should not affect your decisions regarding the company's shares. Please do careful research before speculating in any junior resource stock.

Ciao for now,

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Acknowledgement: Michelle Lopez is the editor of **MercenaryGeologist.com**.

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 35 years experience as an exploration geologist and analyst 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 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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