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Strathmore Minerals Corp: Still Super in Uranium Space

A Monday Morning Musing from Mickey the Mercenary Geologist

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If you have read my musings or heard me speak anytime for the past two years, you will know that [Strathmore Minerals Corp \(STM.V\)](#) was, is, and will continue to be my favorite stock in the junior uranium space.

Why is that you may ask?

It's simple; Strathmore Minerals Corp is all about its projects:

- Strathmore's corporate mandate is to become a uranium producer in the western United States. It executed a property acquisition strategy in 2003-04 when the uranium price was between \$7 and \$15/lb and acquired the best available ground in New Mexico and Wyoming.
- Strathmore has approximately 163 million pounds of uranium in the ground in historic and 43-101 qualified resources.
- It has two flagship projects, the **Gas Hills** in central Wyoming and **Roca Honda** in the Grants Mineral Belt, New Mexico.
 - These are the two largest uranium mining districts in the United States, have long histories of development and production, and many unmined pounds in the ground.
- Strathmore has 20 other properties in Wyoming and New Mexico with known resources. Each would constitute a flagship property for another uranium junior.
- Its business strategy is to monetize these non-core assets by sale or joint-venture to other uranium exploration and development companies.
- Strathmore recently initiated this process with the announced sale of its ISR development project, **Pine Tree-Reno Creek** in the Powder River Basin of northeast Wyoming, to Bayswater Uranium for \$30 million. This transaction is scheduled to close in late December.

- STM has the other necessary ingredients to interest [The Mercenary Geologist](#). To wit:

Strathmore's people are second to none in the uranium business. I reported on the management, board of directors, and technical teams in a previous Mercenary Musing ([March 9, 2009](#)). Please note that with Strathmore Mineral's spin-out of its Canadian properties in mid-2007, the founder of STM moved on to Fission Energy and is no longer a shareholder of the company.

As documented in my previous report, Strathmore has a well-managed share structure for a development stage company. It has 72.5 million shares outstanding with 6.0 million options, it is 6% insider held, and Sprott Asset Management owns 17.5%. STM currently has \$3.2 million in working capital and likely will do a financing soon to advance their flagship properties thru feasibility studies.

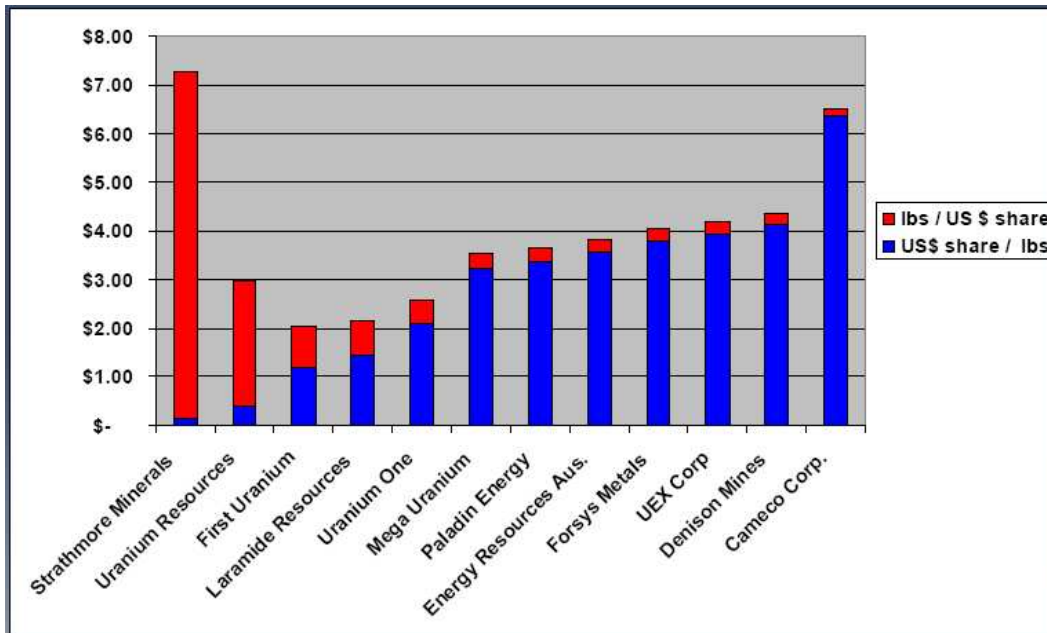
At the time of my March Musing, STM was a 24c stock and sorely undervalued. Soon afterward the company went on a run to a yearly high of 82c before profit-taking occurred.

Since that time, Strathmore has built a nice base in the 45-60c range on moderate volumes despite overall weakness in the uranium sector. With a strengthening uranium market in October and recent permitting progress at Roca Honda, its price has moved into the 60-70c range.

Here's the 52 week chart:



Despite a near tripling of its share price in the last seven months, Strathmore Minerals is still grossly undervalued when compared to its peers:



Now that we have the introductions out of the way, let's get on with today's program:

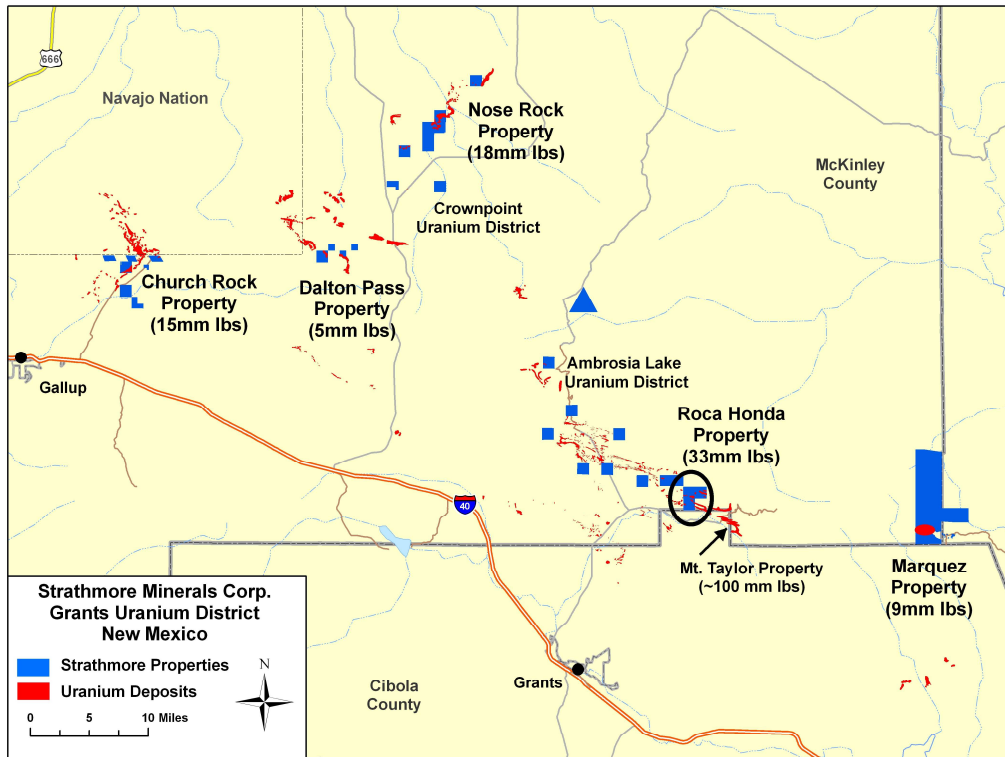
I spent four days in mid-August in the company of Strathmore's management and technical personnel reviewing progress on its flagship projects: **Roca Honda**, New Mexico and **Gas Hills**, Wyoming.

My due diligence started with a trip to the office in Santa Fe, New Mexico to review Roca Honda technical data and the mine permit application recently submitted to regulatory authorities. Company personnel at the meetings included President Steve Khan, Vice President for New Mexico Operations John DeJoia, Vice-President of Regulatory Affairs Juan Velasquez, and Investor Relations Manager Craig Christy.

We spent the entire day reviewing the project. I returned to Albuquerque the next morning with a much better understanding of the significant progress Strathmore has made in the two plus years since I first initiated coverage in June 2007.

Roca Honda was acquired in 2004 as a mine-ready deposit with more than 800,000 feet of drilling. The acquisition also included Kerr McGee's uranium database, the most comprehensive and extensive among former domestic uranium producers. Roca Honda is arguably the best undeveloped uranium deposit in the USA.

Strathmore's strategic partner is Sumitomo of Japan, an International Fortune 500 company that can earn 40%. The participation of the giant conglomerate in Strathmore's New Mexico mining ventures speaks volumes about the quality of their management, projects, and chances for future success. The Strathmore-Sumitomo JV to develop Roca Honda and Sumitomo's minimum \$50 million commitment to the project with a positive production decision add considerable value to the company.



Grants Mineral Belt: World's Second Largest Uranium District

Strathmore's Roca Honda deposit contains a combined measured, indicated, and inferred resource of over 33 million pounds at $>0.20\% \text{U}_3\text{O}_8$ and is likely to grow significantly when development and production commence. Additional geological potential is on the order of 50 million pounds on Strathmore's present land holdings.

In the summer and fall of 2007 STM drilled four monitor wells at Roca Honda. Two of these holes hit high grade intercepts of $0.68\% \text{U}_3\text{O}_8$ over ten feet and $0.73\% \text{U}_3\text{O}_8$ over six feet in relatively unexplored areas, attesting to the excellent exploration potential at Roca Honda:



Roca Honda Monitor Well Core with Black Uraninite.

Folks this is simply a giant uranium deposit.

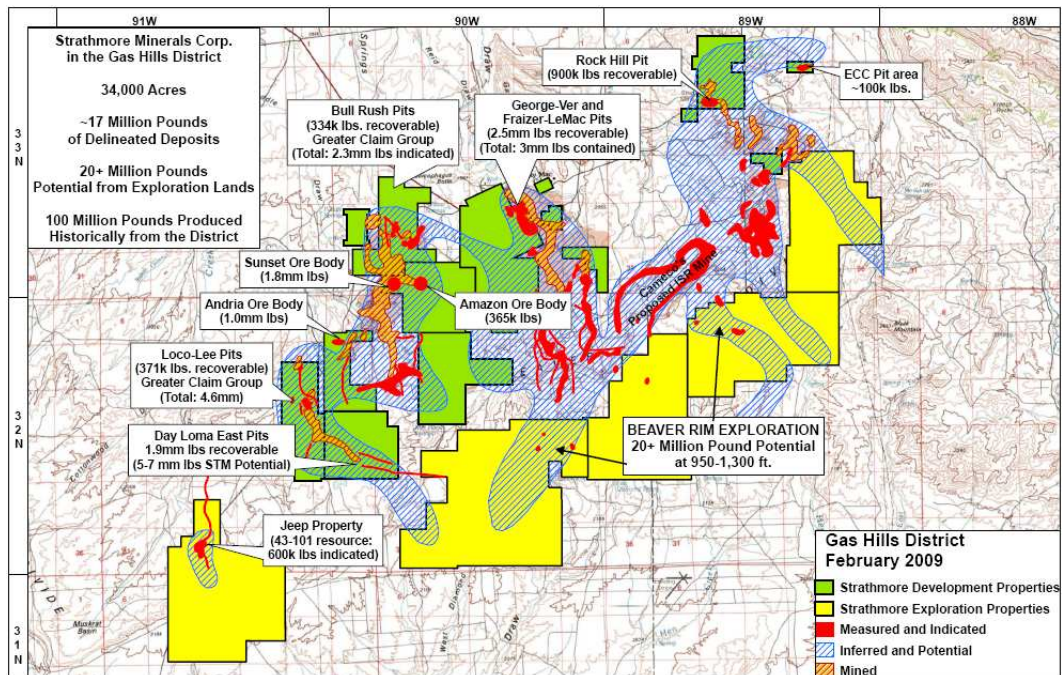


Roca Honda Monitor Well, October 2007

Strathmore submitted its mine permit application to the State of New Mexico Energy, Minerals, and Natural Resources Department and the United States Forest Service on October 23, 2009. The Roca Honda application is a major milestone and the company's permitting team is preparing for the technical review process. The five volume application was submitted within the company's original timeline and under budget, something which most junior resource companies are unable to accomplish.

The technical team currently is reviewing proposals for a bankable feasibility study of Roca Honda to commence in early 2010.

Two days later I was off to visit their Riverton, Wyoming office where the majority of Strathmore's personnel are located. I spent one and a half days receiving multiple company presentations on their Gas Hills properties, land holdings, geology, engineering, mine planning, metallurgy, and status of permitting and development. Key personnel include CEO David Miller, Vice-President of Wyoming Operations Jim Crouch, Landman and Surveyor Tom Powell, Senior Geologist Terrence Osier, and the geological and engineering staff. On the second day, Miller, Crouch, Powell, Osier, and I toured the Gas Hills properties.



Strathmore Minerals' Gas Hills Project, Wyoming



The Mercenary Geologist in the Gas Hills, Wyoming.

Strathmore's **Gas Hills** development projects are classic roll-front deposits amenable to open-pit mining. This prolific district has more than 100 million pounds of past production. The company's 34,000 acre portfolio includes eight areas of known mineralization. Six of these were previously permitted for mining and total historic measured and indicated resources are 17 million pounds U_3O_8 . Existing infrastructure includes paved roads, power, water, and natural gas. These deposits were dropped by Cameco earlier in the decade when the uranium price was low. Strathmore moved in, staked the available ground, and became the dominant land owner in the Gas Hills. Primary focus is on permitting the George-Ver deposit, which will be the first in a series of sequentially mined open pits:



Uranium Roll-Front Exposed at George-Ver Property

In 2009 Strathmore has continued permitting activities, geological and engineering design of mines, and water quality and environmental baseline studies in preparation for submission of a mine permit application to the State of Wyoming and the Bureau of Land Management in early 2010.

In addition, STM renewed its option agreement to acquire additional private properties in the Gas Hills, including an NRC licensed mill reclamation site and adjacent mineralized ground. This location provides a long-term processing alternative if a potential toll milling agreement at the dormant Sweetwater Mill, located 70 miles south of the project, does not come to fruition.

Drill permits were received for its Rock Hill and Beaver Rim properties. Beaver Rim is the deeper, richer south part of the Gas Hills district and has excellent potential to host high grade underground uranium ore bodies.

Strathmore Minerals Corp risk/reward profile is quite positive and typical of uranium developers and producers:

There is no exploration risk with Strathmore since its flagship projects are in the permitting, feasibility, and development stages. As with all uranium developers thru out the world, the biggest risk is lead time to production.

A viable uranium price is always of concern as a large percentage of supply and demand is controlled by sovereign governments which operate mine and processing facilities regardless of profitability.

The inherent risk in exploration, development, and production in emerging market countries has been emphasized in recent months. In Kazakhstan, executives of KazAtomProm were arrested and charged with corruption for illegally selling uranium mine interests to foreign-owned companies. Increasing nationalization of that country's U_3O_8 industry, the third largest producer in the world, is a major concern to consumers in Japan and Western Europe.

In Niger, fifth in world production, the sitting president dissolved parliament when they refused to pass a referendum as a first step in allowing him to run for a third consecutive term. In Mongolia, Western Prospector Group's exploration licenses for its Gurvanbulag deposit were suspended by the Atomic Energy Agency for violations and are subject to revocation.

Geopolitical unrest again underscores the developed world's tenuous dependence on developing countries with unstable and corrupt governments for a significant portion of their uranium supply.

With nuclear power gaining acceptance as an environmentally friendly energy technology and many new nuclear power plants under construction or scheduled to be built worldwide, demand will continue to be strong for the foreseeable future. Supply destruction and shortfalls at Cigar Lake and McArthur River in the Athabasca Basin, Olympic Dam in South Australia, Heinrich Langer in Namibia, and Kayelekera, in Malawi contribute to the on-going world consumption greatly exceeding mine production.

In 2008 world mine production was 114 million pounds U_3O_8 ; world consumption was 183 million pounds; and 69 million pounds or 38% of supply, came from stockpiled inventories and secondary sources. Currently the secondary source supply is largely from Russia's dismantling of nuclear weapons and conversion to low-enriched uranium. With the announced cessation of Russian exports in 2013, the skewed world supply-demand situation will be exacerbated.

These factors all bode well for the near- and mid-term prices of the metal.

Assuming the uranium sector continues to prosper, Strathmore Minerals Corp, with its near-term development schedule at Roca Honda and the Gas Hills, is well-positioned to reward its shareholders with a higher price.

As always, I have a piece of the action and will stand to gain handsomely if this scenario develops.

Due your own due diligence and see what you think about my opinions on Strathmore Minerals Corp.

Ciao for now,

Mickey Fulp
Mercenary Geologist



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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