

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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Mesa Exploration Corp. (TSX-V: MSA) – New NI 43-101 Technical Report for Green Energy Lithium Project in Utah

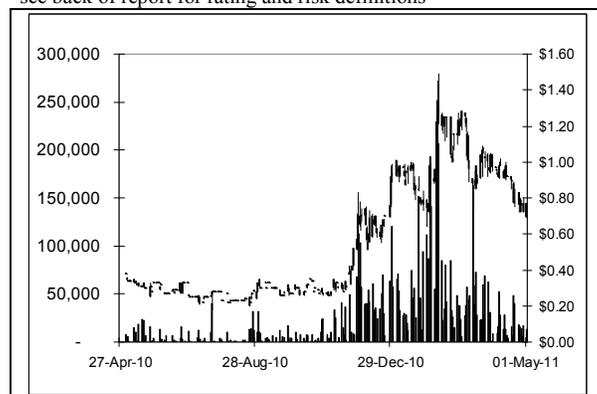
Sector/Industry: Junior Mining/Exploration

www.mesaexploration.com

Market Data (as of May 4, 2011)

Current Price	C\$0.75
Fair Value	N/A
Rating*	N/A
Risk*	N/A
52 Week Range	C\$0.18 – C\$1.49
Shares O/S	12.67 mm
Market Cap	C\$9.50 mm
Current Yield	N/A
P/E	N/A
P/B	5.1x
YoY Return	120.6%
YoY TSXV	29.6%

*see back of report for rating and risk definitions



Investment Highlights

- The company changed its name from Mesa Uranium Corp. to Mesa Exploration Corp.
- A new NI 43-101 technical report was filed in March 2011, for the company's flagship Green Energy Lithium project in Utah.
- Mesa's joint venture partner Passport Potash completed a 50 line-mile seismic survey in spring of 2011 at the Holbrook potash property.
- In early 2011, Mesa filed 350 acres of Federal Potash Permit applications and acquired the White Mountain potash project, 2,560 acres of uranium leases as well as the historic Lone Star uranium mine.
- In March 2011, the company completed a non brokered private placement of 0.40 million units at a unit price of \$1.10 for gross proceeds of \$0.45 million. Each unit consisted of a common share and common share purchase warrant (exercise price - \$1.60; maturity - 24 months).
- MSA maintains a solid share structure with just 12.67 million shares outstanding.

(C \$)	2010	2011 (9 mo)
Cash	170,474	259,206
Working Capital	146,060	400,834
Mineral Assets	1,409,232	1,405,197
Total Assets	1,636,723	1,852,816
Net Loss	(1,772,461)	(169,156)

Mesa Exploration is exploring for lithium, potash and uranium in Utah and Arizona. All projects are in proven mining districts with accessibility and infrastructure. The company recently released a NI 43-101 technical report for its flagship Green Energy Lithium project in Utah. The company also acquired several potash and uranium projects in early 2011.

Name Change On March 30, 2011, the company changed its name from Mesa Uranium Corp. to Mesa Exploration Corp. This name change was made **to reflect the company's recent shift in exploration focus** from uranium to a more diversified portfolio including lithium and potash as well as uranium projects.

Green Energy Lithium The company filed an independent NI 43-101 technical report in March 2011, for the Green Energy Lithium project in Utah. This report reviewed the geology and historic work performed on the property and recommended additional exploration efforts including a thorough review of well logs in the area, chemical analysis of the holes, reprocessing of seismic data focusing on potash and mineral brine as well as drilling. The report also quoted a non NI 43-101 compliant **historic resource estimate of 15 million barrels** of brine containing 96,000 tons of sodium, 158,000 tons of potassium (302,400 tons of KCl), 5750 tons of lithium (30,535 tons of Li₂CO₃), 157,000 tons of calcium and 147,000 tons of magnesium (576,450 tons of MgCl₂). To put in perspective, we estimate the value of contained KCl, Li₂CO₃ and MgCl₂ based on recent prices in 15 million barrels of brine is US\$308 million, or US\$20.53/barrel. Note that this estimate just indicates the value of the contained minerals and does not account for recovery loss or cost of extracting, capital costs, etc.

	Tonnage	Unit Price	Value (\$, mm)
Li ₂ CO ₃	30,535 tons	\$4,500 per ton	\$137
KCL	302,400 tons	\$375 per ton	\$113
MgCl ₂	576,450 tons	\$100 per ton	\$58
Total			\$308
Total (\$/bbl brine)			\$20.53

Mesa is currently preparing for the recommended exploration program and is in the process of obtaining drilling permits and selecting a drilling contractor. **Drilling is expected to begin in this Spring once the permits are received.**

In April, the company also engaged IntelliMet LLC, a metallurgical service provider in Missoula, Montana, to assess the processing characteristics for lithium, potash, magnesium, boron and bromine for the Green Energy project. The metallurgical work will provide a preliminary system design with equipment specifications, cost estimates and expected recoveries. **The results of the test work will be available in June and will be significant in quantifying and evaluating the project's economic viability.**

**Utah Potash
NI43-101
Report**

On May 4th, 2011, The company released a NI 43-101 technical report on the Utah Potash projects in the White Cloud, Salt Wash and Whipsaw area. **The report reviewed all available data on the projects and recommended an exploration program to advance the projects.** The company is currently compiling historic oil and gas well data to create a 3D model of the potash horizons. The company is also planning a Phase 1 drill program on the projects.

Holbrook Potash

Mesa's joint venture partner Passport Potash (TSXV: PPI) completed a 50 line-mile seismic survey in spring of 2011 at the Holbrook potash property. The results of the survey will be used by SRK Consulting for preparing a NI 43-101 technical report for the project. **Encouraged by the exploration progress, Passport Potash will expand its land position at the Holbrook project** by entering into an option agreement with Ringbolt Ventures Ltd. (TSXV: RBV) to acquire 15,994.32 acres of Ringbolt's mineral exploration permits and conduct further exploration work on the eastern side of the Holbrook basin.

Other Projects

Mesa has **decided not to pursue the Pine Valley project** we discussed in our previous update. However, Mesa continues to make aggressive efforts to diversify its exploration portfolio by making new acquisitions of prospective projects.

Potash Projects

In April 2011, Mesa acquired another potash project 4 miles east of the Pine Valley project, the White Mountain project in western Utah. The project covers 1,700 acres of Federal Potash Permit Applications. The exploration focus is a potential shallow alunite potash deposit which could be amenable to low-cost open pit operations.

The company also submitted 350 acres of Federal Potash Permit applications in the Blawn Mountain potash deposit area. In 2011, surface sampling and mapping will be conducted on these projects along with historic data reviews to evaluate the project potential.

Uranium Projects

Earlier this year, Mesa acquired 2,560 acres of uranium leases in the Seven Mile Uranium District of Southeastern Utah. The company also acquired the mineral lease for a historic uranium mine, the Lone Star mine, which consists of approximately 20 acres in the Lisbon Valley Mining District in southeastern Utah.

For these projects, Mesa plans to review and evaluate historic data including drill logs, geologic maps and production records to guide future exploration work.

Outlook on Lithium

Lithium is used in several commercial products including glass/ceramics, batteries (both non-rechargeable and rechargeable), pharmaceuticals, lubricants as well as other industrial applications. The following factors outline our outlook on lithium demand and supply drivers.

- We believe **lithium demand growth will be primarily driven by batteries**. Lithium use in batteries (as a percentage of total lithium demand) has increased from 10% in 2005, to 18% in 2010, and **is forecasted to reach 47% by 2020** (source, TRU Group Industry Consultants).
- The growth in lithium battery demand is primarily driven by the electric car industry as well as portable electronic devices such as cell phones, iPods and laptops.
- Lithium is **attractive for use in portable electronic devices and vehicle batteries** as -
a) lithium is the lightest metal in the periodic table, b) lithium has the highest specific

heat of any solid element, and c) lithium batteries have a slow loss of charge while not in use. Electric car producers are starting to adopt lithium batteries now due to the recent technological advances in part from the US Department of Energy. The Nissan LEAF and the Chevy Volt are two examples of cars using lithium batteries.

- **Lithium has the potential for use in electrical grid storage as well as grid stabilization.** Lithium batteries could be utilized to store energy from alternate sources such as wind and solar power since the electricity production from these sources is inherently variable. Power consumption on electrical grids also varies throughout the day. **Lithium could potentially store energy during non-peak times for use when consumption is greater than production.** This would provide more stable power demand allowing producers to rely less heavily on relatively expensive peak production power plants such as gas turbine plants.
- Currently **SQM, FMC and Chemetell (three of the leading lithium producers) together control about 8 million tons of lithium (about 64% of total global reserves).** One million tons of lithium is required to produce 395 million Chevy Volts or 250 million Nissan's Leaf (source, Reuters, Keith Evans).
- The lithium industry is primarily controlled by three major producers (SQM, Chemetell and FMC account for about 60% of total production). **We believe the concentrated market allows these producers to control production, and possibly influence prices.**
- We believe **the market can absorb an increase in the price of lithium** since the raw cost of lithium in vehicle batteries is a small fraction of the total cost to produce the battery.
- In early 2010, **Toyota Tsusho (Toyota) and Orocobre announced a joint venture to develop a lithium project in Argentina,** called the Olaroz Lithium-Potash project. This is an encouraging development as it indicates Toyota's intentions to secure reliable and diversified long-term lithium supplies for its hybrid and electric vehicles.
- In 2010, global lithium demand was estimated at about 22,500 metric tons, while production was about 25,300 metric tons. (Source: SQM, Bloomberg and USGS).
- The TRU Group expects lithium demand to grow to about 47,000 metric tons of lithium (or 250,000 tonnes of Lithium Carbonate) by 2020, which reflects a **CAGR of 8% from 2010 to 2020.** Roskill also expects a similar growth in demand through 2020.

Financials

At the end of Q3-2011 (end of December 31, 2010), the company had \$0.26 million in cash. Working capital was \$0.40 million. In the first nine months of FY2011, the company reported a net loss of \$0.17 million (EPS: -\$0.02). We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.03 million per month in the first nine months of FY2011. The following table shows the company's cash and liquidity position at the end of Q3-FY2011.

(C \$)	2010	2011 (9 mo)
Working Capital	146,060	400,834
Current Ratio	6.8	90.6
LT Debts/ Assets	-	-
Burn Rate (incl exploration costs)	(7,883)	(25,250)
Cash from financing activities	239,892	315,978

Subsequently, in March 2011, the company **completed a non brokered private placement of 0.40 million units at a unit price of \$1.10 for gross proceeds of \$0.45 million**. Each unit consists of a common share and common share purchase warrant (exercise price - \$1.60; maturity - 24 months).

MSA currently has \$0.5 million in cash. In addition, the company also has 0.50 million shares of PPI, which currently has a market value of \$0.31 million.

Stock Options and Warrants: We estimate the company currently has 1.22 million stock options outstanding (weighted average exercise price of \$0.69) and 2.39 million warrants (weighted average exercise price of \$0.55) outstanding. 0.28 million options and 1.99 million warrants are currently in the money. **MSA can raise up to \$0.78 million if all these in the money warrants and options are exercised.**

Valuation and Rating

MSA has made good progress since our previous report in November 2010. However, due to the early stage nature of its projects, we have continued to assign no rating/valuation on MSA. We recommend investors to continue to monitor the company as positive developments on any of the company's projects could bring significant upside from current share price levels.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The company does not have any 43-101 compliant resource estimates and its properties are all in early to intermediate stages of exploration.
- The success of further development, exploration and expansion are significant factors in the company's success.
- Like other junior exploration companies, the value of the company depends heavily on commodity prices.
- Access to capital and share dilution.

We continue to rate the shares **RISK of 5 (Highly Speculative)**.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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