

Mesa Exploration Corp. (TSX-V: MSA) – Switches focus to the newly acquired Bounty potash project - Initial resource expected by November 2012

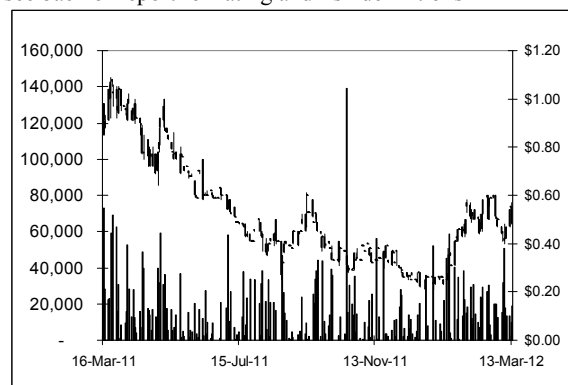
Sector/Industry: Junior Exploration/Mining

www.mesaexploration.com

Market Data (as of March 8, 2012)

Current Price	C\$0.52
Fair Value	N/A
Rating*	N/A
Risk*	5 (Highly Spec)
52 Week Range	C\$0.21 - C\$1.09
Shares O/S	14.39 mm
Market Cap	C\$7.48 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.6x
YoY Return	-42.2%
YTD TSXV	-25.2%

*see back of report for rating and risk definitions



Investment Highlights

- MSA is focusing on developing the newly acquired Bounty potash project located in the Great Salt Lake Desert, Utah.
- Bounty is approximately 15 miles north of the Wendover mine, owned by Intrepid Potash (NYSE: IPI), which utilizes the solar evaporation technique.
- Historical drilling defined a non compliant NI 43-101 resource estimate totaling 5.1 million tons of potash, at a grade of 6.8 g/litre.
- Approximately 80 shallow auger holes will be drilled at Bounty in July 2012.
- An initial NI 43-101 resource estimate is planned for completion by November 2012.
- In February 2012, MSA began drilling on the 100% company owned Moonshine Springs uranium project in northwestern Arizona.
- Drilling results are expected at the end of March 2012.
- We estimate the current cash position is \$0.72 million. Working capital is estimated at \$0.85 million, or \$0.06 per share.
- We continue to assign no rating/valuation on MSA. We recommend investors continue to monitor MSA as near term upside is expected to come from an initial NI 43-101 resource estimate on Bounty in November 2012.

(C \$)	2011	2012 (9 mo)
Cash	525,185	688,148
Working Capital	910,707	815,047
Mineral Assets	1,191,321	1,262,386
Total Assets	2,131,693	2,122,914
Net Loss	(1,220,897)	(600,839)

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's main focus is the recently acquired Bounty Potash project which is part of the Great Salt Lake Desert in Utah. The company also acquired several potash and uranium projects in early 2011.

**Acquires
Bounty Potash
Project, Utah**

Property Overview

In January 2012, MSA completed its acquisition of the Bounty potash project which has now become the company's main focus. The property comprises 270 km², including a 233 km² potash prospecting permit obtained from the Bureau of Land Management, and 36 km² of potash leases from the state of Utah. A NI 43-101 Technical Report for the property was released in February 2012.

History

Historical exploration was completed in 1966 by private company Quintana Petroleum, who drilled 35 auger holes on the property and surrounding area. This allowed a **non compliant NI 43-101 resource estimate to be defined for the top 10ft of the brine aquifer totaling 5.1 million tons of potash, at a grade of 6.8g/litre**. MSA now controls 80% of the land included in this resource. Management has indicated that they are close to completing the acquisition of a further 57 km², after which MSA's land package will include 100% of the historical resource.

Although no exploration has been carried out by MSA to date, management has indicated that they are confident that this non compliant resource will be expanded. There is not enough information available to us at this time for us to comment on this.

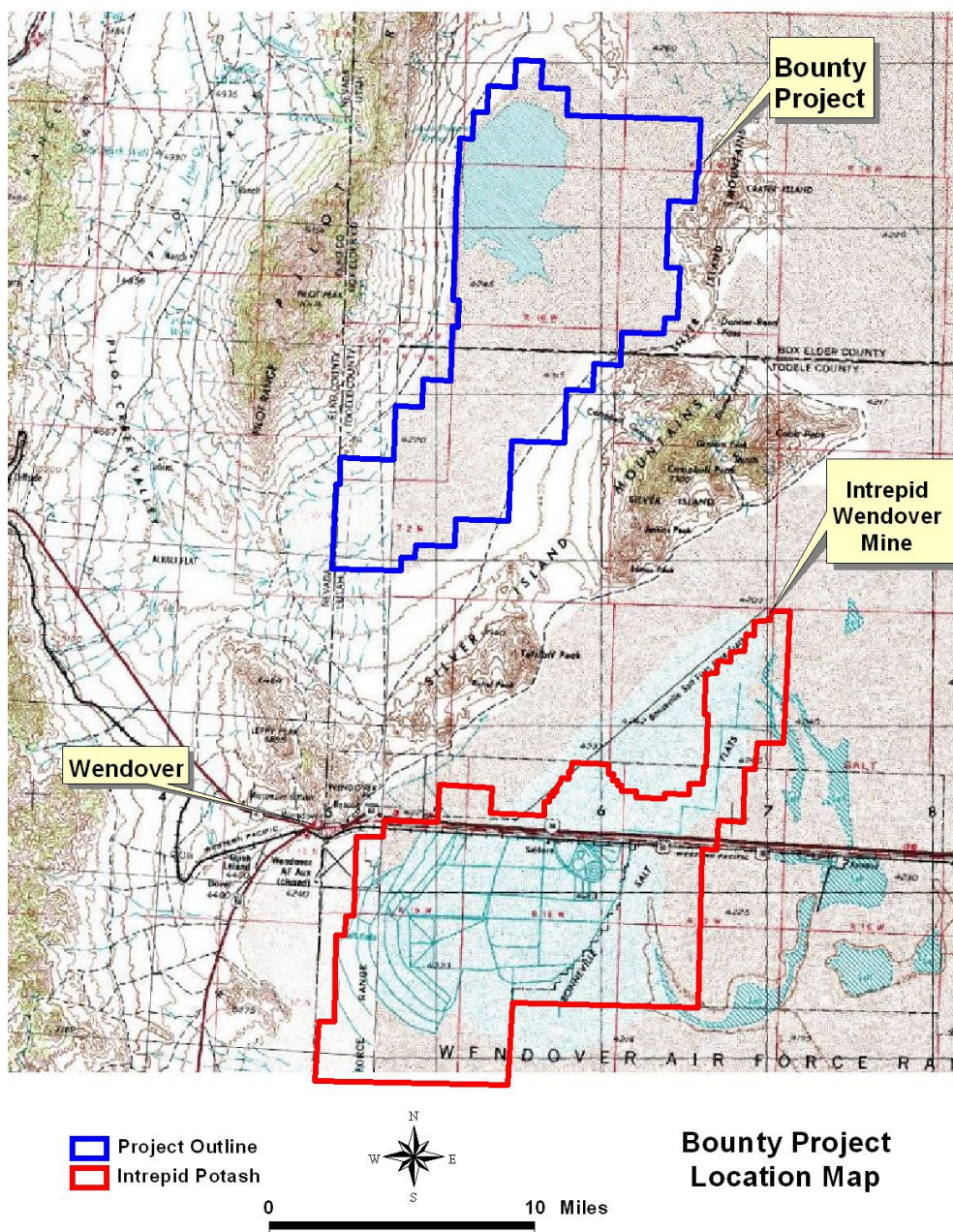
It should be noted that the non-compliant resource estimate above is based on drilling completed by Quintana to a depth of 16 ft, which was the limit of the auger. Management indicates that the brine aquifer begins at a depth of 2-6 ft below surface, so only the top 10 to 14 feet of the aquifer was drilled. **The company plans to complete deeper drilling to expand the resource at depth.**

Location

The property is located in western Utah, close to the border with Nevada, as part of the Great Salt Lake Desert (Figure 1). Approximately 15 miles to the south is the Wendover mine, owned by Intrepid Potash (NYSE: IPI), which has been in production for over 75 years. Production at Wendover begins with the collection of brine solution from potash hosted aquifers, which is then pumped to a series of solar evaporation ponds, followed by flotation processing to produce the final potash product. According to IPI's website, the estimated annual production capacity at Wendover is 95,000 tons of potash, and the minimum remaining life of mine is 123 years. A similar operation is envisioned at Bounty.

The project is located close to an interstate highway, railway and the town of Wendover.

Figure 1. Location of the Bounty potash project



Source: Company

Geology

The potash deposits at Bounty comprise the upper 25 feet of a sequence of sediments that were deposited by Lake Bonneville as it evaporated and receded approximately 7,000 years ago. Within these sediments is a saline brine aquifer that formed during rapid evaporation of the lake.

Vertical permeability is relatively low due to the impermeable structure and fine grain of the

sediments. However, horizontal permeability is significantly better because the sediments are intercalated within beds of very fine oolitic sands with brine shrimp faecal pellets, which aids lateral groundwater flow. For this reason, there is a general flow of brines towards the centre of the playa.

MSA indicates that there are several potash brine mines operating in the Great Salt Lake Desert producing muricate of potassium (MOP), and sulphate of potassium (SOP).

Future Development

Exploration

Management has indicated that they intend to commence an exploration program comprising up to 80 shallow (max 25ft depth) auger holes in July 2012, expected to take approximately 6 weeks to complete. The sedimentary sequence is thought to be relatively homogenous across the property, and therefore, drilling will focus on verifying historic data, sampling and brine aquifer mapping.

An additional 6 RC (reverse circulation) holes will be drilled to around 500 ft to test for deeper brine aquifers. The company has also retained Zonge Geophysical of Reno to complete an Electro Magnetic Survey of the property to map the brine aquifer.

Assays are expected by the end of Q3 2012, and **an initial NI 43-101 resource estimate is planned for completion by November 2012**. Longer term goals are to complete a Preliminary Economic Assessment (PEA) by the end of Q1 2013, followed by a **construction decision in May/June 2013**.

Production

As stated above, it is expected that mining and processing will be similar to that used at the nearby Wendover mine. There are several upsides for this type of mining versus conventional open-pit, such as lower capital and operating costs, and lower exploration costs.

MSA is currently in discussions with the state of Utah to purchase or lease approximately 80 acres of land immediately adjacent to the property. It is intended that the mill and processing facility will be located on this land.

Although the expected recovery and processing method is widely used in the area, MSA management does not currently include anybody with the required skills or experience to bring this project to production. While we consider this a minor risk, management are confident that they will be able to attract the necessary people given that there are several similar operations in the region.

It should be noted that the company has an ongoing relationship with Continental Metallurgical Services who provide development services such as metallurgical engineering, plant design and economic analysis.

Joint Venture Partner

Management has indicated that they are investigating the possibility of taking on joint venture partners for the project who are already well established in the potash industry. **We believe that this would offer significant upside for MSA by allowing them to establish off-take agreements early in the development process.**

**Update On
Other Projects****Green Energy**

The Green Energy lithium property has been the company's primary property until recently, when focus moved to the Bounty project. In our previous report of May 2011, we stated that results of metallurgical testing being completed for the Green Energy Lithium project would be significant in evaluating the economic viability of the project.

A metallurgical process study was completed by IntelliMet LLC in June 2011, which states that lithium, potash, magnesium, boron and bromine will be extracted from brine using molecular and ionic separation and reverse osmosis.

There has not been enough metallurgical testing completed to date for us to comment on the economics of the project. Further testing is needed to determine exact recovery and optimum flow rates. Management has indicated that this project is on hold for the foreseeable future while the company focuses on developing the Bounty project.

Whipsaw Potash

In August 2011, MSA acquired a 640 acre lease from the state of Utah through a competitive lease offering. The potash lease is within the Paradox Basin and will be incorporated in the company's Whipsaw potash project. Details of the Whipsaw property can be seen in our update report of June 2010. This project is also on care and maintenance and the company has no plans for exploration in 2012.

Moonshine Springs

In February 2012, MSA began a drilling program on the 100% company owned Moonshine Springs uranium project in northwestern Arizona. Aims of drilling are to test for extensions of uranium mineralisation intercepted by MSA in previous drilling, such as hole M1, which intersected 7.5ft of 0.21% U₃O₈, and 4 feet of 0.47% U₃O₈ in drill hole M2.

Results of drilling are expected in early March 2012, and the company has long term aims to define a NI 43-101 resource estimate on the property. A second round of drilling is expected to start later in 2012, pending positive results from the ongoing exploration.

Holbrook Potash Project

Passport Potash (TSXV: PPI) has exercised the right to acquire the company's 2% NSR (net smelter royalty) on the Holbrook potash project in Arizona for a total of \$300,000. **We believe this is positive as it will allow MSA to focus on developing the Bounty potash project and provides working capital for exploration.**

Financials

The company reported a net loss of \$0.60 million (EPS: -0.03) in the first nine months of FY2012 (9 month period ended December 2011). We estimate that the company had a burn rate (cash spent on operating and mineral properties) of \$0.05 million per month during the nine month period.

At the end of December 2011, the company had \$0.69 million in cash. Working capital was \$0.82 million (or \$0.06 per share). The table below summarizes the company's liquidity position.

(C \$)	2011	2012 (9 mo)
Working Capital	910,707	815,047
Current Ratio	54.4	26.3
LT Debts/ Assets	-	-
Burn Rate (incl exploration costs)	(35,641)	(45,989)
Cash from financing activities	782,406	576,860

Subsequently, in March 2012, the company received \$0.30 million from PPI (as mentioned earlier). We estimate the current cash position is \$0.72 million. Working capital is estimated at \$0.85 million, or \$0.06 per share. The CAPEX budget for 2012 is \$0.33 million - which implies the company will not have to raise any capital this year.

Options and Warrants Outstanding: We estimate the company has 1.22 million stock options (weighted average exercise price of \$0.69), and 0.41 million warrants outstanding (exercise price - \$1.60); 0.28 million options are currently in the money.

Valuation

Since our previous report in May 2011, MSA has switched focus from the Green Energy lithium project in Utah, to the newly acquired Bounty potash project, Arizona. No significant changes have occurred on any other projects, all of which are relatively early stage.

Although the Bounty project has a historical (non NI 43-101 compliant) resource estimate, the company has not yet completed any exploration to verify historic drilling which would give an indication of the expected resource. Also, the historic resource is based on drilling done in the 1960s, and as such, may not be reliable. For these reasons we have continued to assign no rating/valuation on MSA.

We recommend investors continue to monitor the company as **near term upside is expected to come from an initial NI 43-101 resource estimate for the Bounty project in November 2012.**

Risks

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

- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The value of the company depends heavily on commodity prices.
- Access to capital and share dilution.

- The company does not currently have any operating mines.
- The ability for the company to attract people with the required skills and experience to develop the Bounty project.
- The company does not have any 43-101 compliant resource estimates and its properties are all in early to intermediate stages of exploration.

We rate the company's shares a 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.**Disclaimers and Disclosure**

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