eResearch

Initiating Report **March 2, 2010**

STROUD RESOURCES LTD.

($0.07; TSX-V: SDR)

Recommendation
Speculative Buy

Risk
High

Price (March 2, 2010)
$0.07

52-Week Range
$0.115 - $0.03

Target Price (12 Months)
One-Year: $0.28
Two-Year: $0.55

Shares O/S
151.11 million

Market Cap
$10.58 million

Average Daily Volume
50-day: 188,900
200-day: 176,500

Year-End
December 31

Salient Statistics

Book Value Per Share	$0.06
Price/Book Value	1.3x
Properties Per Share	$0.07
Monthly Burn (2009e)	$30,833
Monthly Burn (2010e)	$33,333

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UPFRONT

Exploration company: silver in Mexico, and gold in Ontario. Santo Domingo in the Sierra Madre has enormous potential: open pittable; wide mineralized zones; ease of access; critical infrastructure, such as water and power, readily accessible; available labour supply; low cost of production expected; and could be fast-tracked to production. At Santo Domingo, Stroud has drilled 27 holes which, on the Company's 25.73 million silver-equivalent ounces, equates to almost 1 million silver-equivalent ounces per hole.

Other factors positively impacting Stroud: (1) NI 43-101 Technical Reports available on the two key properties, Santo Domingo and Hislop; (2) Stroud has a small ownership interest in six operating natural gas wells that throw off valuable positive net cash flow; and (3) Strong institutional ownership.

At a $10 million market cap and with a thin float, Stroud Resources Ltd. is not on many investors radar screens. But it should be.

RECOMMENDATION

Speculative Buy, for risk-tolerant investors. Target Price = $0.28 per share.

PROFILE

Stroud Resources Ltd. is a Canadian mineral exploration and development company with properties in two mining-friendly jurisdictions: northern Ontario (gold), and Mexico (silver/gold). Stroud also has an interest (3.75%) in six natural gas wells in Alberta, which provide the Company with cash flow.

THE COMPANY

Stroud Resources Ltd. is a mining exploration company focused on the discovery and exploration of silver and gold deposits in Mexico and northern Ontario. The Company owns a 100% interest in the Santo Domingo epi-thermal silver-gold project in central Mexico, and has an option to acquire a 100% interest in the Santa Cruz silver project, also in Mexico. Stroud's assets also include 100% interests in the following Ontario properties; (1) the Hislop gold property, near Timmins; and (2) the Leckie gold property near Temagami (close to North Bay). The Company also generates cash flow from a 3.75% interest in six natural gas and natural gas condensate wells in central Alberta.

STRATEGY

Mining: Of the Company's four projects, two of them (Santa Domingo and Hislop) already have NI 43-101 compliant resources. Its other gold property, Leckie Lake, has the potential soon to be designated a NI 43-101 resource if conditions with Laurion under the LOI are met.

Mining Strategy: Like so many junior mining exploration companies, Stroud requires continual financing. The Company is considering two strategies: (1) Return to the capital markets for fresh funds; and/or (2) Finding a suitable joint-venture partner to provide funds in return for an ownership interest.

Oil & Gas: Stroud has a 3.75% interest in six natural gas and natural gas condensate wells in Alberta, providing the company with cash flow to go towards operating expenses.

Oil & Gas Strategy: Stroud intends to stand pat for now with respect to its oil & gas activities.

TARGET PRICE

We have derived the following intrinsic values for Stroud using various valuation methodologies, as set out fully in our Valuation section beginning on page 6.

- Peer Comparison - Market Cap/Resource: $0.27 per share
- Peer Comparison - Property Valuation: $0.22 per share
- Per Attributable Resource Ounce Valuation: $0.29 per share
- Oil & Gas Cash Flow Multiple Valuation: $0.01 per share

From these intrinsic value calculations, we have chosen a 12-month Target Price for the shares of Stroud Resources Ltd. of $0.28.

COMMENT: *Stroud is an undiscovered stock, as far as the retail investor sector is concerned. But there are three influential institutional shareholders of Stroud which recognize the inherent potential poised within this company. If management can unlock that potential, the shares could easily surpass our Target Price. There's the rub.*

OPERATIONS

Stroud is involved primarily in mineral exploration, but it also has some oil & gas interests. Set out below is a brief overview of the Company's activities. Further information on these projects is presented in Appendix 1: Properties, beginning on page 16.

The following map indicates where the Company's operations are located. In Canada, they are in Ontario. In Mexico, Stroud is active in the Sierra Madre.

Source: the Company

The following map shows the Company's Mexican properties.

The Company's Mining and Oil & Gas projects are described below:

A. MINING INTERESTS

Projects	Interest	Location	Deposit Type	Resources	NI 43-101
Santo Domingo	100%	Mexico	Gold/Silver	**Measured and Indicated:** 4.35 Mt averaging 0.42 g/t gold and 89 g/t silver, or an estimated 58,670 ounces of gold and 12.4 million ounces of silver; Silver-equivalent resources = 15.05 million oz **Inferred:** 9.1 million oz of silver and 36,817 oz of gold; Silver-equivalent resources = 10.68 million oz	Yes
Santa Cruz	Option to earn 100%	Mexico	Silver	------	No
Hislop	100%	Ontario	Gold	**Indicated:** 483,500 tonnes at 6.61 g/t gold: 102,760 oz. **Inferred:** 367,700 tonnes @ 5.90 g/t gold: 69,754 oz.	Yes
Leckie Lake	100% *	Ontario	Gold	**Historical Estimates:** **Indicated:** 349,000 tonnes @ 0.203 oz/t: 70,644 oz. **Inferred:** 57,237 tones @ 0.173 oz/t: 9,902 oz.	No *

* Note: LOI with Laurion Mineral Exploration for Laurion to receive an option to acquire up to 60% of mineral rights. If so, it is expected that Laurion will complete a NI 43-101 Technical Report within six months of closing.

B. OIL & GAS INTERESTS

Projects	Interest	Location	Commodity	Revenue
Rimbey/ Niton/ Pembina area	3.75% W.I. in six producing natural gas and gas condensate wells	Alberta	Natural Gas	Share of revenue (net of operating expenses)

RECENT DEVELOPMENTS

- **February 9, 2010:** Stroud granted, to directors and officers of the Company, options to acquire an aggregate 3,100,000 common shares. Each option is exercisable to acquire one common share at $0.10 per share for a three-year period, with the options vesting one-third immediately, and one-third on each of the 7-month and 13-month anniversaries of the grant date (subject to TSE Venture Exchange acceptance).

- **February 5, 2010:** Laurion Mineral Exploration and Stroud executed a letter of intent (LOI) for Laurion to receive an option to acquire up to 60% of the mineral rights of Stroud's undivided 100% legal interest in the Leckie Lake gold property near Temagami, Ontario.

- **January 27, 2010:** Stroud filed an NI 43-101 Technical Report on its Santo Domingo project in Jalisco, Mexico. Highlights of the report were disclosed in Stroud's December 16, 2009 news release, which is available on SEDAR at www.sedar.com.

- **December 10, 2009:** The Company announced that it had completed its previously announced non-brokered private placement of units. Stroud issued and sold 6,000,000 units at $0.05 per unit, raising gross proceeds of $300,000. Each unit comprised one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one common share at $0.10 until December 10, 2010.

INVESTMENT CONSIDERATIONS

- NI 43-101 compliant Technical Report, dated January 25, 2010, released on Stroud's 100%-owned Santo Domingo epi-thermal silver-gold project in Jalisco, Mexico: Measured and Indicated Resources of 12.42 million ounces of silver and 58,671 ounces of gold (15.05 million oz of silver-equivalent resources); Inferred Resources of 9.14 million ounces of silver and 36,817 ounces of gold (10.68 million oz of silver-equivalent resources).

- The Company is focusing its exploration activities on Santo Domingo. A diamond drilling program is planned for 2010, pending raising sufficient funding. In the meantime, the Company is currently seeking jv partners for the project with the objective of bringing the property into production at 25,000 – 50,000 ounces of gold per annum.

- Stroud also has an NI 43-101 compliant report on the 100%-owned Hislop gold project in Ontario (Indicated Resources of 102,750 ounces of gold and Inferred Resources of 69,700 ounces of gold).

- Stroud recently signed a letter of intent (LOI) with Laurion Mineral Exploration ("Laurion") for Laurion to receive an option to acquire up to 60% of the mineral rights of Stroud's undivided 100% legal interest in the Leckie Lake gold property near Temagami, Ontario. Among the possibilities under the LOI are that Laurion would complete an NI 43-101 Technical Report on Leckie Lake, and that exploration could proceed by way of a joint venture between Stroud and Laurion.

- Stroud generates cash flow through a 3.75% interest in six natural gas wells in central Alberta. Gross revenue from this source has been in excess of $200,000 per annum; however, 2009 revenues will be substantially below this figure as a result of lower natural gas prices. Revenue for the first nine months of 2009 was $83,851 compared with $199,851 in the corresponding period of 2008. Oil and gas cash flow can be used to offset some overhead expenses.

- Share ownership among insiders and associates is high at 40%; institutions own another 15%. Key institutional holdings are: Sprott, Dundee, and Pinetree.

- Stroud's management are few but, collectively, have extensive mining industry experience (each with more than 30 years) in Canada and abroad.

VALUATION

We provide the following valuation methods to determine an appropriate value for the share price of Stroud:

1. Market Capitalization Per Silver Equivalency Resource Valuation;
2. Mining Property Ratio Valuation;
3. Per Attributable Resource Ounce Valuation; and
4. Oil & Gas Cash Flow Multiple.

(1) Market Capitalization Per Silver Equivalency Resource Methodology

In this valuation method, we compare the market capitalization of Stroud to the silver companies in our comparison group, shown in Table 1 below.

Table 1: Market Capitalization and Resources Data

Company	Symbol	Share Price	Shares O/S	Market Cap	Silver Resources (Ag+Eq Oz)	Market Cap Per Silver Eq	Premium Relative to Stroud
Endeavour Silver Corp.	EDR-T	$3.87	60,522,466	$234,221,943	62,100,000	$3.77	8.03x
Esperanza Silver Corp.	EPZ-V	$1.22	51,949,521	$63,378,416	29,568,000	$2.14	4.56x
Great Panther Silver Ltd.	GPR-T	$0.90	110,177,131	$99,159,418	16,468,000	$6.02	12.81x
MAG Silver Corp.	MAG-T	$6.38	49,416,569	$315,277,710	189,000,000	$1.67	3.55x
SilverCrest Mines Inc.	SVL-V	$0.88	59,416,457	$52,286,482	34,001,100	$1.54	3.27x
Source Exploration Corp	SOP-V	$0.25	26,181,248	$6,414,406	14,455,000	$0.44	0.94x
Silvermex Resources Ltd.	SMR-V	$0.47	70,637,431	$33,199,593	42,371,000	$0.78	1.67x
Kimber Resources Inc.	KBR-T	$1.25	65,565,286	$81,956,608	86,464,200	$0.95	2.02x
<Average>					59,303,413	$2.16	4.61x
Stroud Resources Ltd.	SDR-V	$0.08	151,107,534	$12,088,603	25,727,395	$0.47	1.00x

- Except for Source Exploration, the market cap per silver equivalency ounce for Stroud is well below that of the comparable companies. Stroud comes in at $0.47 compared to a high of $6.02 for Great Panther and an average for the comparable group of $2.16.

- The average of the premiums over Stroud is calculated to be 4.61x.

- Thus, in comparison to the other silver companies, Stroud's stock is undervalued.

- Should Stroud be successful in obtaining financing or a joint-venture partner, in either case improving its likelihood of advancing its properties, its market cap per silver equivalency ounce should increase markedly.

(a) Sensitivity Analysis

The following table takes different market cap silver equivalency ounce values for Stroud over the next 12 months. (Approximately $2.0 million in capital expenditures is assumed for this period.)

Stroud Resources Ltd.		
Market Cap Per Silver Eq	**Market Cap**	**Per Share**
$0.47	$12,091,876	$0.08
$1.00	$25,727,395	$0.17
$1.50	$38,591,093	$0.26
$2.00	$51,454,790	$0.34
$2.16	*$55,571,173*	*$0.37*
$2.50	$64,318,488	$0.43
$3.00	$77,182,185	$0.51
$3.50	$90,045,883	$0.60
$4.00	$102,909,580	$0.68
$4.50	$115,773,278	$0.77
$5.00	$128,636,975	$0.85

Source: *e*Research

- Our analysis shows Stroud's stock price ranging from $0.17 per share at $1.00 per market cap silver equivalency ounce to $0.85 at $5.00 per market cap silver equivalency ounce.
- At the peer average, the value per share would be $0.37.
- We think it reasonable for Stroud to approach a level similar to that of SilverCrest, which has a value of $1.54 market cap silver equivalency ounce; this would give Stroud's stock an intrinsic value of $0.27.
- Higher per share values for Stroud would be expected when it reaches such milestones as:
  (1) Completion of at least a further 25 holes; and
  (2) Drill bit success resulting in a doubling of the resources to around 50 million silver equivalent ounces.

(2) Mining Property Ratio Valuation Method

(a) Methodology

This method determines an appropriate valuation for the shares of Stroud based on:

- Current and expected market value of the Company over the next 12 months;
- Book value of the mineral properties of the Company compared to those of its peers;
- Expected capital expenditures ($2 million) for the Company for the next 12 months; and
- Expected number of shares (20 million) to be issued to finance capital expenditures.

The companies we have chosen to compare to Stroud are the following:

Endeavour Silver Corp. (EDR - TSX;): Endeavour is a small-cap silver mining company focused on the growth of its silver production, reserves and resources in Mexico. Since start-up in 2004, Endeavour has posted five consecutive years of growing silver production and resources.

Esperanza Silver Corp. (EPZ - TSX-V): Esperanza is a gold and silver company focused on advancing the development of its two principal properties - the 100%-owned Cerro Jumil gold project in Morelos State, Mexico, and the San Luis gold and silver joint venture in Peru. The company also holds an extensive portfolio of exploration properties in Mexico and Peru.

Great Panther Silver Limited (GPR - TSX): Great Panther is a silver producer operating in Mexico. The company has two operating mines (100%) - Topia (silver-lead-zinc) in the Topia Mining District in west-central Durango State, and Guanajuato (silver-gold) in the State of Guanajuato. The company is also the operator of the San Antonio gold-copper project in Guadalupe y Calvo Mining District in southwest Chihuahua.

MAG Silver Corp. (MAG - TSX): MAG is focused on district-scale projects located within the Mexican Silver Belt. The company and its partner, Fresnillo plc, are delineating a new silver vein discovery on the Juanicipio property in Zacatesas State. At the 100%-owned Cinco de Mayo property, MAG has identified a silver, lead and zinc discovery, as well as a moly-gold discovery.

SilverCrest Mines Inc. (SVL – TSX-V): SilverCrest focuses on the exploration and development of precious metals, and has a portfolio of gold and silver deposits and high-grade exploration properties located in Mexico and El Salvador. The Company’s goal is to acquire and develop substantial mineral resources and, ultimately, to operate multiple low-cost, high-grade precious metals mines.

Source Exploration Corp. (SOP - TSX-V): Source is a Canadian mineral exploration company whose focus in on the evaluation, acquisition and development of economic silver deposits in Mexico. The company is carrying out an aggressive exploration program on the prolific past-producing San Acacio silver mine in Zacatecas, and evaluating other potential silver properties in the Zacatecas area for acquisition.

Silvermex Resources ltd. (SMR - TSX-V): Silvermex is a junior resource company engaged in the acquisition, exploration and development of silver properties in Mexico. The company has three material properties for purposes of NI 43-101: Penasco Quemado in Sonora; La Frazada in Nayarit, and San Marcial in Sinaloa. Silvermex’s focus is on its properties in Sinoloa.

Kimber Resources Inc. (KBR -TSX): Kimber is an advanced gold-silver explorer focused on Mexico. The company owns mineral concessions covering in excess of 39,000 hectares in the prospective Sierra Madre gold-silver belt, including the Monterde property, where three deposits with gold-silver mineral resources have already been defined.

Table 2: Corporate Comparison

(C$1 = US$1.00)	Stroud Resources SDR: TSX-V	Endeavour Silver EDR:TSX	Esperanza Silver EPZ: TSX-V	Great Panther Silver GPR: TSX	MAG Silver MAG: TSX
Financial Statement Date:	September-09	September-09	September-09	September-09	September-09
Corporate:					
Share Price (50-day Average)	C$ 0.08	C$ 3.87	C$ 1.22	C$ 0.90	C$ 6.38
52-Week High-Low	$0.115 - $0.03	$4.57 - $1.37	$1.55 - $0.58	$1.25 - $0.315	$7.70 - $4.85
Shares O/S	151,107,534	60,522,466	51,949,521	110,177,131	49,416,569
Market Cap	C$ 12,088,603	C$ 234,221,943	C$ 63,378,416	C$ 99,159,418	C$ 315,277,710
Mineral Properties:					
Book Value (Cost)	C$ 11,051,000	C$ 72,848,000	C$ 17,341,000	C$ 24,472,400	C$ 75,605,000
Market Value	C$ 11,053,603	C$ 206,589,943	C$ 55,417,416	C$ 88,454,818	C$ 306,140,710
Difference	C$ 2,603	C$ 133,741,943	C$ 38,076,416	C$ 63,982,418	C$ 230,535,710
Property Ratio	1.00	2.84	3.20	3.61	4.05
		SilverCrest Mines SVL: TSX-V	**Source Exploration SOP: TSX-V**	**Silvermex Resources SMR: TSX-V**	**Kimber Resources KBR: TSX**
Financial Statement Date:		September-09	September-09	October-09	December-09
Corporate:					
Share Price (50-day Average)		C$ 0.88	C$ 0.25	C$ 0.47	C$ 1.25
52-Week High-Low		$1.03 - $0.40	$0.40 - $0.08	$0.61 - $0.14	$1.83 - $0.47
Shares O/S		59,416,457	26,181,248	70,637,431	42,077,421
Market Cap		C$ 52,286,482	C$ 6,414,406	C$ 33,199,593	C$ 52,596,776
Mineral Properties:					
Book Value (Cost)		C$ 20,950,400	C$ 2,398,000	C$ 11,542,800	C$ 42,376,979
Market Value		C$ 43,581,882	C$ 4,542,406	C$ 30,842,393	C$ 76,136,587
Difference		C$ 22,631,482	C$ 2,144,406	C$ 19,299,593	C$ 33,759,608
Property Ratio		2.08	1.89	2.67	1.80
Adjusted Book Value (Cost) (1)	C$ 13,051,000				
Average Ratio (Peers)	2.77				
Selected Ratio	3.00				
Common Equity (Per Statements)	C$ 9,530,000				
Adjusted Common Equity (Selected Ratio) (2)	C$ 37,632,000				
Equity Per Share (Per Statements)	C$ 0.06				
Adjusted Equity Per Share (Selected Ratio) (3)	C$ 0.22				

Note 1: Adjusted Book Value is adjusted for expected capital expenditures of $2 million over the next 12 months.
Note 2: Shareholders' Equity is adjusted for additional equity (estimate) issued to finance capital expenditures over the next 12 months.
Note 3: Adjusted Equity Per Share is calculated on shares O/S at February 24, 2010, plus estimated new shares to be issued within 12 months.

Source: *e*Research

(b) Analysis

The Property Valuation approach is based upon an analysis of the Property Ratio, which measures the premium the market currently places on a company's mineral properties. All else being equal, a higher premium indicates the market is anticipating greater future value from the assets in the ground, while a lower premium may represent an undervalued asset. Our analysis utilizes the latest available financial statements for the respective companies.

In the table above, we have estimated the value of Stroud's mineral property portfolio 12 months forward by adding the anticipated $2 million capital expenditures for the forecast period to the existing mineral property value. Then we apply, to the Adjusted Book Value of the mineral property, the selected Mineral Property Ratio, as determined by analyzing and comparing the relative merits of the peer companies with the subject company.

COMMENT: *It is possible that 2010's $2 million capex program could lead to up to a doubling in the Company's silver equivalent ounces.*

The Property Ratio for the peer group is an average of 2.77x, while the Property Ratio of Stroud is 1.00x.

Shown below is a table indicating the intrinsic value over the next 12 months for Stroud at Property Ratio levels ranging between 2.00x and 5.00x (last seven items).

Stroud Resources	Property Ratio	Intrinsic Value
Current Book Value	1.00x	C$ 0.06
Current Property Ratio	1.00x	C$ 0.06
Property Ratio: Next 12 Months	2.00x	C$ 0.14
Property Ratio: Next 12 Months	2.50x	C$ 0.18
Property Ratio: Next 12 Months	3.00x	C$ 0.22
Property Ratio: Next 12 Months	3.50x	C$ 0.26
Property Ratio: Next 12 Months	4.00x	C$ 0.30
Property Ratio: Next 12 Months	4.50x	C$ 0.33
Property Ratio: Next 12 Months	5.00x	C$ 0.37

Source: *e*Research

With all the advantages that Stroud possesses in terms of getting its Santo Domingo property into production, we believe that, once investors recognize the inherent, undiscovered intrinsic value of Stroud, its Property Ratio will rise quickly.

We are using 3.00x as an achievable goal over the next 12 months. While this seems a stretch from current levels, positive events can quickly lead to revaluation. At the chosen ratio, Stroud's intrinsic value is $0.22 per share.

(3) Per Attributable Resource Ounce Valuation Methodology

Under this method, we compute an intrinsic value for Stroud by calculating the value of the silver and the gold in the ground, unmined. For silver, we have used prices ranging from US$0.25/oz to US$1.25/oz and, for gold, prices ranging from $10/oz to $90/oz. The results are shown in the following table:

Table 3: Matrix of Values Per Attributable Resource Ounce

A. Silver

Per Attributable Silver Resource Ounce (in-the-ground)	US$0.25	US$0.50	US$0.75	US$1.00	US$1.25
Market Cap (C$ @C$1=US$1.0675)					
Using 21,555,513 Resource Ounces	$5,048,130	$10,096,259	$15,144,389	$20,192,518	$25,240,648
Value Per Fully Diluted Share					
Using 151,107,534 Shares	$0.03	$0.07	$\boxed{\$0.10}$	$0.13	$0.17

B. Gold

Per Attributable Gold Resource Ounce (in-the-ground)	US$10	US$30	US$50	US$70	US$90
Market Cap (C$ @C$1=US$1.0675)					
Using 348,547 Res. Oz (Santo Domingo)	$3,265,077	$9,795,232	$16,325,386	$22,855,541	$29,385,696
Using 172,514 Res. Oz (Hislop)	$1,616,056	$4,848,169	$8,080,281	$11,312,393	$14,544,506
Using 80,546 Res. Oz (Leckie)	$754,529	$2,263,588	$3,772,646	$5,281,705	$6,790,763
Totals	$5,635,663	$16,906,988	$28,178,314	$39,449,639	$50,720,965
Value Per Fully Diluted Share					
Using 151,107,534 Shares	$0.04	$0.11	$\boxed{\$0.19}$	$0.26	$0.34

Source: eResearch

As shown above, using the mid-point of the matrix, the imputed value of Stroud's mineral assets equates to $0.10 per share for silver and $0.19 per share for gold.

Together, this implies an intrinsic value for Stroud of $0.29 per share.

(4) Oil & Gas Cash Flow Multiple Method

Oil & gas operations are valued on multiples of cash flow. For a fledgling oil & gas producer, normal industry multiples typically range between 5.0x and 9.0x. Because the cash flow for Stroud is small (our estimate for 2010 is $110,000, see page 15), applying a cash flow multiple in the range indicated provide only $0.01 per share of intrinsic value to the Company.

COMMENT: *Stroud's oil & gas interests may not contribute meaningful intrinsic value, but they do provide valuable cash flow which can be used to offset some of the firm's operating expenses.*

(5) Conclusion

- Our Market Capitalization Per Silver Equivalency Resource Valuation yields an intrinsic value of $0.27 per share for Stroud;
- Our Property Ratio Methodology shows an intrinsic value of $0.22 per share;
- Our Per Attributable Resource Ounce Methodology provides an intrinsic value of $0.29 per share;
- Our Oil & Gas Cash Flow Multiple Valuation provides an intrinsic value of $0.01 per share.

COMMENT: *Our intrinsic values are based on a number of internal factors including commodity prices and the Company's ability to finance, which are beyond our control. However, we believe that our valuations closely reflect the fundamentals of the Company and the market at the time of this report.*

Stroud's stock price could significantly outperform our intrinsic values should the following be accomplished:
(1) It raises necessary exploration funds;
(2) It has success with the drill bit and significantly increases its resource estimate; and
(3) It secures a suitable and appropriate joint-venture partner(s).

FINANCIAL REVIEW AND OUTLOOK

Financial Year End: December 31

Revenues: The Company currently generates oil & gas revenue, but no mining revenue.

Cash Burn Rate: The G&A Expense, or cash "burn" (burn is essentially those non-discretionary operating expenses such as rent, professional fees, licences, salaries, and administration fees), for the trailing 12 months to September 30, 2009 was $365,000, and compares with $424,000 in 2007 and $410,000 in 2008. Given the current era of restraint, we estimate the Company's burn will range between $360,000 and $400,000, or $30,000 - $33,000 per month.

Cash: Including the December 2009 private placement, some of which was used to extinguish the short-term loan, and factoring in the cash burn, the Company's cash resources currently stand at about $50,000. The arrangement with Laurion will provide, shortly, a further $25,000 cash.

COMMENT: *The Company has stopped drilling and is focused on finding additional financing. Options include: (1) Going back to the market. Financing conditions are still not ideal, but companies, including Stroud, have been successful in tapping the investment community. Stroud, itself, has some strong institutional backers, including Sprott with around 8%, and Dundee and Pinetree Capital. They may, or may not, participate in the next round. (2) Finding a "friendly" joint-venture partner that could provide needed exploration and development funds in exchange for an ownership interest in certain Company properties.*

Capital Expenditures ("Capex") for Mining Exploration: The Company's capital expenditure program for its mining activities in 2010 is estimated to be $2 million, with the funds being used primarily for Santo Domingo and Hislop. Laurion will provide the funds for Leckie Lake.

Financing: If the Company raises more funds in the capital markets, it probably will do so through private placements. Our estimate for 2010 incorporates a $2,000,000 issue at $0.10 per share, effecting a 20 million share dilution.

Warrants and Options: The following table shows existing warrants and options outstanding, as of February 2010:

1. Warrants

Number	Exercise Price	Expiry Date	Comment	Potential Equity
7,353,000	$0.08	June 5, 2010	In-the-Money	$588,240
6,000,000	$0.10	December 10, 2010	Out of-the-Money	$600,000
13,353,000				$1,188,240

2. Options

Number	Exercise Price	Weighted Average Life (Years)	Comment	Potential Equity
2,500,000	$0.17	0.4	Out of-the-Money	$425,000
200,000	$0.25	0.3	Out of-the-Money	$50,000
200,000	$0.15	1.1	Out of-the-Money	$30,000
3,375,000	$0.15	1.1	Out of-the-Money	$506,250
3,100,000	$0.10	3.0	Out of-the-Money	$310,000
9,375,000				$1,321,250

Source: Company and eResearch

COMMENT: *In determining our estimate of the intrinsic value of a company's shares, we include only those warrants and options that are: (a) "in-the-money" or within our expected 12-month share price horizon; and (b) expiring within our 12-month forecast period. For Stroud, we are including 7,353,000 additional shares and $588,240 of Shareholders' Equity as these are included in the above guidelines, and their exercise or conversion is assumed to take place. Thus, our calculation of the intrinsic value per share of Stroud is based on 178,760,534 shares outstanding (which also includes our assumed equity issue).*

Financial Statements: Set out on the following page are abridged financial statements of income/(loss), cash flow, and the balance sheet.

TABLE 2: SELECTED FINANCIAL INFORMATION

	Year Ending December 31: 2006	2007	2008	12 Months Sept 2009	2009E	2010E
Statement of Income/(Loss):						
Oil and Gas Gross Revenue	189,490	222,658	251,426	135,688	113,851	150,000
Operating Expenses	(25,796)	(26,150)	(48,101)	(43,664)	(33,108)	(40,000)
Oil & Gas Cash Flow	163,694	196,508	203,325	92,024	80,743	110,000
Oil & Gas Margin	86.4%	88.3%	80.9%	67.8%	70.9%	73.3%
Depletion	(24,000)	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)
Oil & Gas Income	139,694	164,508	171,325	60,024	48,743	78,000
G&A Expense ("Burn")	(400,067)	(423,797)	(410,746)	(364,933)	(370,000)	(400,000)
Amortization	(25,343)	(12,447)	(8,770)	(6,478)	(7,000)	(8,000)
Stock-based Compensation	(261,649)	(188,272)	(412,380)	(199,244)	(125,000)	(150,000)
Other Non-Cash Items	(309,472)	331,020	(442,661)	(107,625)	(100,000)	(100,000)
Other Income/(Expenses)	(55,584)	(37,223)	(63,076)	(14,304)	(5,000)	(10,000)
Net Income/(Loss)	(912,421)	(166,211)	(1,166,308)	(632,560)	(558,257)	(590,000)
Total Shares Outstanding	121,072,352	127,372,352	137,154,534	144,807,534	150,807,534	178,760,534
Weighted Average Shares Outstanding	107,411,000	124,520,000	134,900,000	140,981,000	140,981,000	164,784,034
Earnings (Loss) Per Share	($0.01)	($0.00)	($0.01)	($0.00)	($0.00)	($0.00)
Statement of Cash Flow:						
Net Income (Loss)	(912,421)	(166,211)	(1,166,308)	(632,560)	(558,257)	(590,000)
All Non-Cash Items	596,464	(130,301)	863,811	313,347	232,000	258,000
Cash Flow from Operations	(315,957)	(296,512)	(302,497)	(319,213)	(326,257)	(332,000)
Capital Expenditures (Mining Properties)	(1,497,643)	(1,625,092)	(1,188,151)	(269,109)	(200,000)	(2,000,000)
Capital Expenditures (O&G Properties)	(83,778)	(63,335)	0	0	0	0
Other Investing Items	(1,817,108)	(678,182)	0	0	0	0
Free Cash Flow	(3,714,486)	(2,663,121)	(1,490,648)	(588,322)	(526,257)	(2,332,000)
Working Capital Changes	400,175	(164,617)	167,891	72,086	100,314	(45,000)
Equity Financing	5,052,949	647,370	1,017,527	360,458	660,458	2,611,440
Debt Financing	0	0	0	200,000	0	0
Change in Cash	1,738,638	(2,180,368)	(305,230)	44,222	234,515	234,440
Cash, Beginning of the Period	766,419	2,505,057	324,689	52,259	19,459	253,974
Cash, End of the Period	2,505,057	324,689	19,459	96,481	253,974	488,414

	Year Ending December 31: 2006	2007	2008	12 Months Sept 30	Year Ending December 31: 2009E	2010E
Balance Sheet:						
Cash	2,505,057	324,689	19,459	96,481	253,974	488,414
Other Current Assets	311,658	270,027	64,012	67,619	60,000	70,000
Mining Properties	7,814,165	9,472,900	10,795,338	11,050,613	11,050,613	13,042,613
Oil & Gas Properties	143,279	174,614	142,614	118,614	118,614	118,614
Capital Assets	60,329	674,600	535,392	452,831	435,392	355,392
Total Assets	10,834,488	10,916,830	11,556,815	11,786,158	11,918,593	14,075,033
Current Liabilities	348,309	179,241	235,951	389,482	425,000	450,000
Other Liabilities	1,458,349	1,493,617	2,119,472	2,166,702	2,190,000	2,300,000
Debt Obligations	0	0	0	0	0	0
Total Liabilities	1,806,658	1,672,858	2,355,423	2,556,184	2,615,000	2,750,000
Shareholders' Equity	9,027,830	9,243,972	9,201,392	9,229,974	9,303,593	11,325,033
Total Liabilities & Equity	10,834,488	10,916,830	11,556,815	11,786,158	11,918,593	14,075,033
Book Value (S.E.) Per Share	$0.07	$0.07	$0.07	$0.06	$0.06	$0.06

COMMENT: *The above table shows the financial results up to September 2009 and our estimates for the calendar years 2009 and 2010. The estimates include Stroud raising $2.0 million to finance capital expenditures and operating expenses in 2010 on top of the recently-raised $0.3 million (December 2009).*

APPENDIX 1: PROPERTIES

A. MINING

1. Santo Domingo, Mexico (100% interest)

Source: The Company

(a) History of the Santo Domingo Project

Stroud Resources optioned the Santo Domingo property in 1999, and conducted a limited program of check chip sampling in accessible adits and surface mineralized zones. This program was designed to substantiate the mineralization potential of the concessions. An initial core drilling program of four holes was undertaken in 1999, with drill programs following in 2003 and 2005-2008. A total of 30 core holes were drilled in the 10-year time frame. Of the 30, three were abandoned. In total, 5,335.6 metres were drilled.

(b) Resource Estimate

In December 2009, Stroud announced the release of an independent NI 43-101 Technical Report on the Company's 100%-owned Santo Domingo epithermal silver-gold project in Jalisco in central Mexico - along the western silver-gold belt of the Sierra Madre mountains. The property is close to Guadalajara, with year-round access by road, and power and water onsite. The project contains Measured and Indicated Resources totalling 12.4 million ounces of silver and 58,670 ounces of gold, and also confirms Inferred Resources of 9.1 million ounces of silver and 36,817 ounces of gold.

The resource calculation was initially prepared by the Stroud exploration team, and was audited by the independent minerals industry consulting firm, Behre Dolbear & Company Inc. ("Behre Dolbear").

The resource estimate was calculated using the exploration results from 27 drill holes. About 35% of the strike length of two of the mineralized zones on the property - Los Rayas and Guadalupe - were drilled to a depth of about 150 metres. There is room to expand drilling north and south - at depth and updip to the top of the hill where the structure outcrops. All drill holes encountered mineralization, with one hole having tapped a significantly broad zone of mineralization.

The deposit could be open-pittable, providing for low-cost operations and a simple path to extraction.

COMMENT: *Santo Domingo has good prospects to be a silver and gold producer.*

(c) Santo Domingo NI 43-101 Resources

Classification	Tonnes	Gold	Silver	Gold	Silver	Silver Equiv.
		(g/t)	(g/t)	(oz.)	(oz.)	(oz.)
Measured	1,846,352	0.46	90	27,306	5,342,557	6,601,298
Indicated	2,501,382	0.39	88	31,364	7,077,092	8,447,652
Measured&Indicated	4,347,734	0.42	89	58,670	12,419,649	15,048,950
Inferred	3,424,622	0.33	83	36,817	9,135,864	10,678,445

Note: Silver equivalents are calculated at 65:1/silver:gold, and recoveries of 92% silver and 95% gold.

Source: The Company and *e*Research

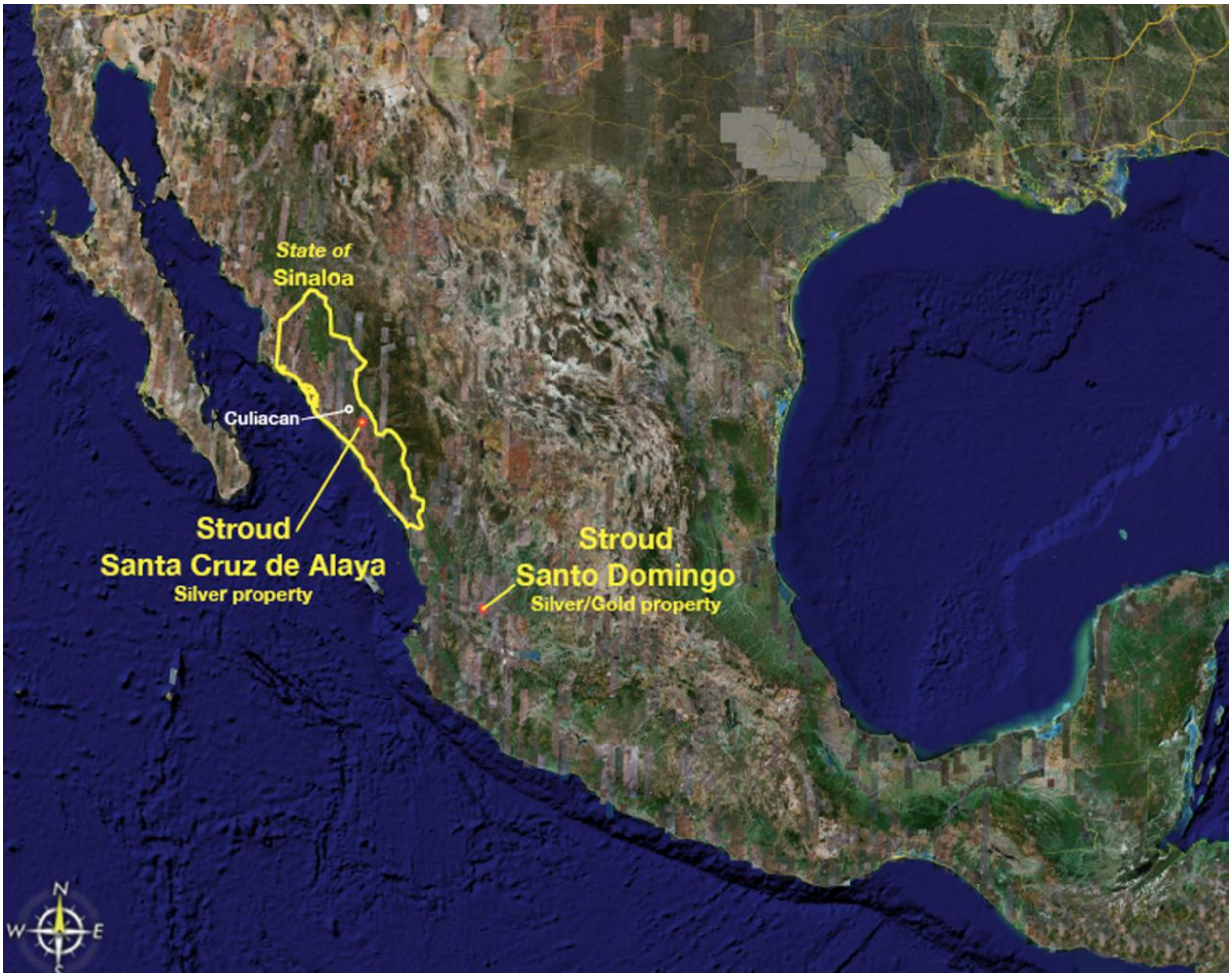
(d) Accelerated Drill Program

Stroud is proposing an accelerated drill program to trace the vein systems on the Santo Domingo II and Nombre de Dios concessions. The proposed program will be in two phases: 11,000 metres and 22,000 metres respectively. Each phase lasts approximately one year.

COMMENT: *Stroud purchased its own drill rig in 2007 to ensure that drilling can be carried out on an ongoing basis at Santo Domingo.*

Behre Dolbear estimated that the budget required for the development of the Phase 1 and 2 exploration programs would be around $3.0 million and $5.7 million respectively.

2. Santa Cruz, Mexico (Option to earn 100%)



Source: The Company

In June 2007, Stroud entered into an agreement whereby it may acquire a 100% interest in the Santa Cruz silver-gold property in Mexico (4,800 hectares) (see map above).

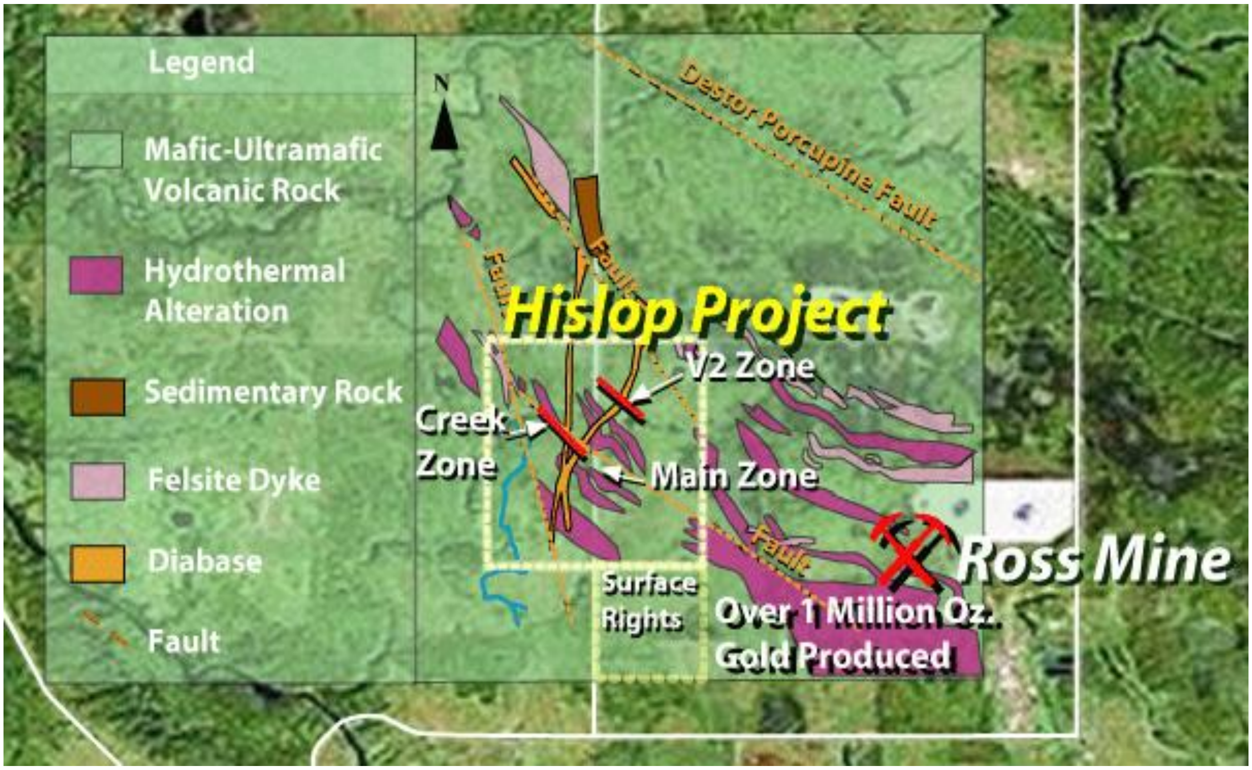
Under the agreement, over a three-year period, Stroud is required to make, to the optioners, US$145,000 in cash payments and 145,000 of Stroud shares. The optionors will retain a 1.5% net smelter return ("NSR") royalty on the property, of which 1.25% can be purchased by Stroud for US$1,250,000 at any time.

COMMENT: *Stroud made an initial payment of US$105,000, and issued 35,000 common shares.*

Subject to financing, Stroud plans to carry out exploration work on the property: geological mapping and, where possible, mapping and sampling of adits, followed by diamond drilling (if initial exploration results are positive).

The property, which is northwest of the Santo Domingo project (see map above), has multiple vein systems up to 1,500 metres long, and past production of silver. There is year-round access by road, a powerline runs through the property, and there is river acccess at the foot of the property.

3. Hislop, Ontario (100%)



Source: The Company

Stroud initiated an exploration program at its Hislop property in northern Ontario (75 kilometres east of Timmins) in 2007 to qualify, quantify, and extend known zones of mineralization. Previous drill programs had extended the known strike length of the mineralization to 650 metres. The 2007 program, which comprised 25 holes and 8,000 metres, discovered new gold zones and a number of deep mineralized intersections on the property (greater than 400 metres).

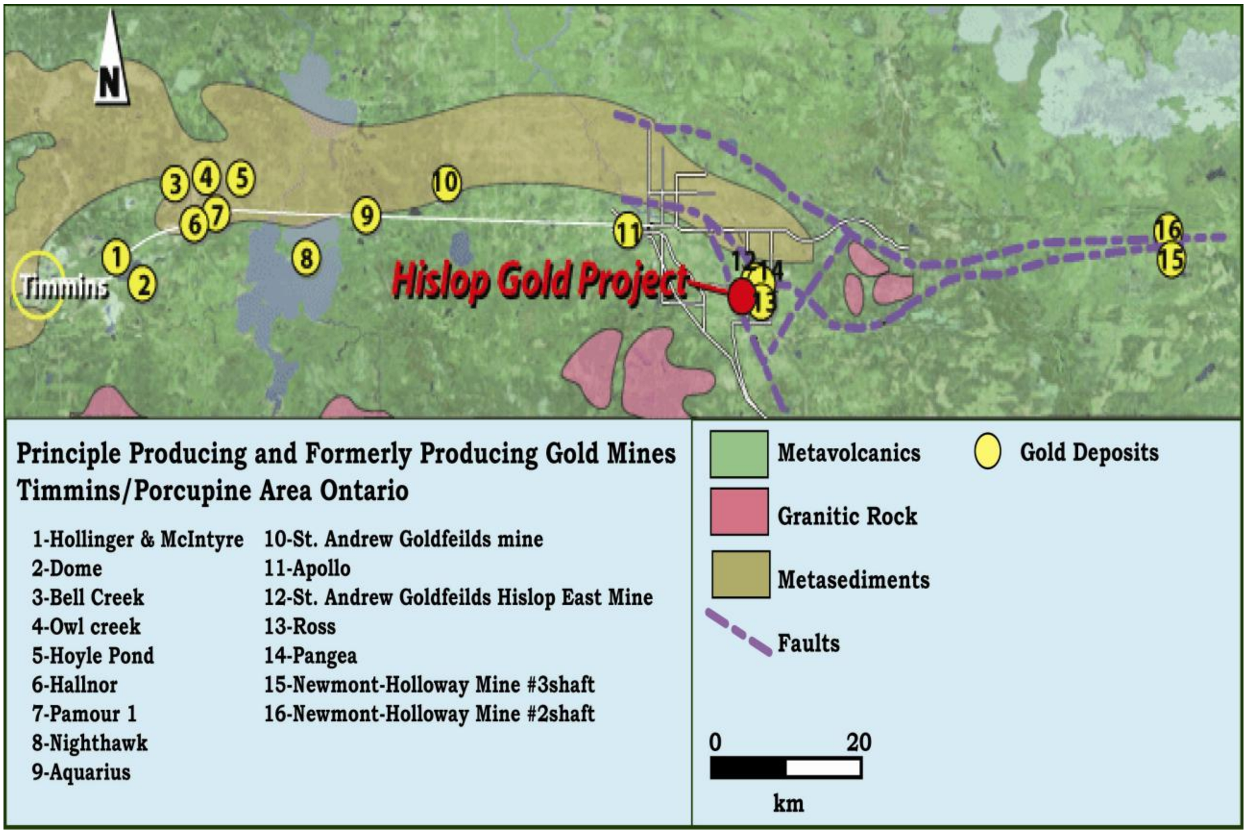
COMMENT: *The continuity of the gold zones on the property indicates that a number of the gold zones could continue at depth.*

Further exploration on this property, which is situated in an established mining area with excellent infrastructure, is subject to availability of financing.

Hislop Gold Resources (NI 43-101-compliant):
- Indicated: 483,500 tonnes @ 6.61 g/t gold: 102,760 oz.
- Inferred: 367,700 tonnes @ 5.90 g/t gold: 69,754 oz.

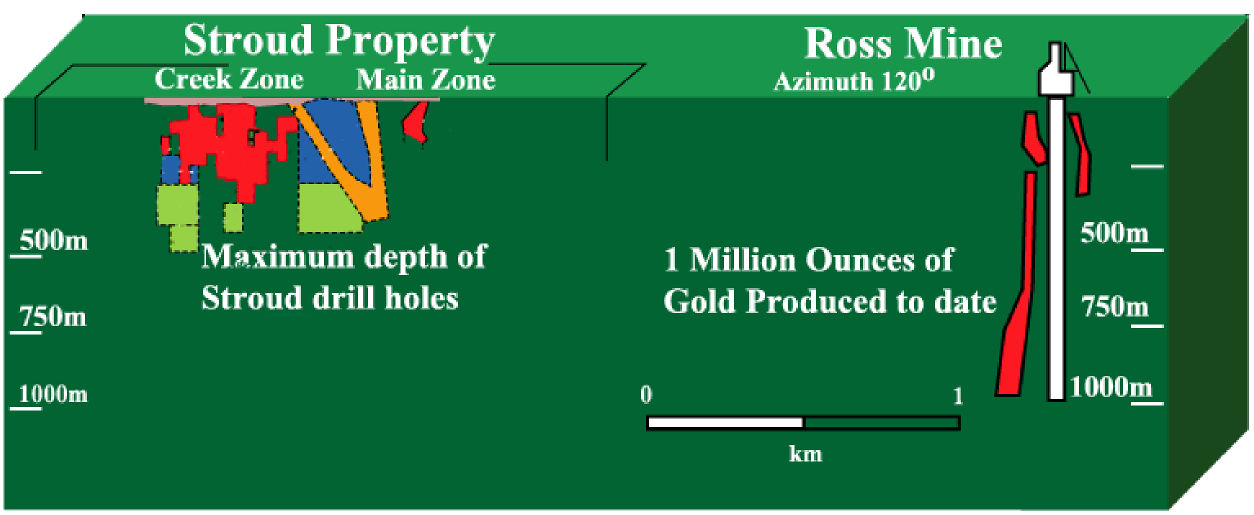
Warranted Considerations:

There are three interesting factors to be considered that lend to the attractiveness of Stroud's activities at Hislop:
(1) Proximity to the former gold-producing Ross Mine;
(2) The announcement by St. Andrew Goldfields Ltd. to commence production on its Hislop Project; and
(3) The ramping up of gold production at Apollo Gold Corporation's Black Fox Mine.



Ross Mine: As the two maps above show, Stroud's property lies close to the historic gold-producing Ross Mine, owned by Pamour Porcupine Mines, Ltd., and in production from 1934 to 1988. Its ore reserves were estimated at 628,155 tons averaging 5.88 g/t Au (1934), and 518,000 tons averaging 4.64 g/t Au (1975). Over one million ounces of gold were extracted from the Ross Mine over its lifetime. The map below shows the enormous potential the Stroud property possesses.

COMMENT: *The success of the Ross Mine portends excellent potential for Stroud's Hislop property and signifies additional drill programs are warranted.*



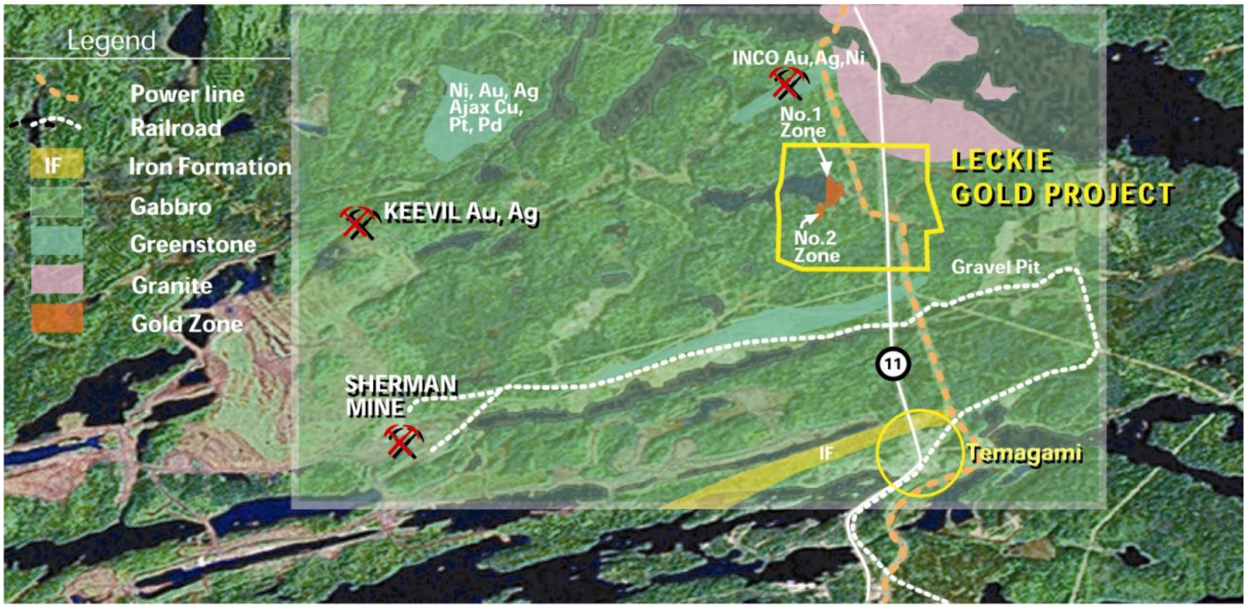
St. Andrew Goldfields: This company announced in November 2009 that it intended to bring into production its Hislop Project with its goal of producing 25,000 ounces of gold in 2010. This decision was based on a favourable NI 43-101-compliant Pre-Feasibility Study that estimated the mine contained 1.9 million tonnes of probable mineral reserves averaging 2.3 g/t Au for a total of 142,500 ounces of contained gold.

COMMENT: *St. Andrew Goldfields' property is contiguous to that of Stroud.*

Apollo Gold: This company attained an average daily through-put of 2,000 tonnes per day in Q4/2009 for a total of 15,820 ounces of mined gold in Q4/2009. Apollo Gold's goal is to achieve production of 100,000 ounces of gold in 2010.

COMMENT: *The activities and achievements of neighbouring gold-producers lend credence to the potential for Stroud's efforts in the Hislop area.*

4. Leckie Lake (100%)



Source: The Company

Stroud's Leckie Lake gold property is situated in the Township of Strathy, about three kilometres north of the town of Temagami in Ontario (near North Bay). The property, which comprises 12 contiguous claims covering about 192 hectares, has been essentially dormant since 1996. Stroud and the former Lacana Mining Corporation, in a joint-venture operation, performed work at Leckie Lake between 1985 and 1996. This included prospecting, geophysics, and 63,483 feet of drilling.

COMMENT: *Stroud owns 100% of the property, having bought out all interests in 1994.*

In February 2010, Stroud and Laurion Mineral Exploration (an exploration company with key interests in highly-prospective mining properties in Ontario) executed a letter of intent (LOI) for Laurion to receive an option to acquire up to 60% of Stroud's mineral rights. The LOI states that Laurion can acquire a 50% beneficial interest in the mineral rights of the property by making cash and share payments, and incurring exploration expenditures totaling $2,850,000 over a 36-month period from the closing date.

COMMENT: *On the closing date, and included in the initial expenditures, Laurion would be required to make a cash payment of $25,000 and issue $50,000 worth of Laurion shares.*

The LOI states that, if Laurion obtains a 50% interest by completing the initial expenditures, Laurion will have the option to increase its beneficial interest in the property from 50% to 60%, if Laurion makes an additional payment of $1,000,000 within nine months of the closing date.

The LOI also contemplates that: (1) Laurion will complete an NI 43-101 Technical Report on Leckie Lake within six months of the closing date; (2) Laurion will be the operator of the property during the option earn-in period; and (3) if Laurion exercises its option to acquire a 50% legal interest pursuant to the option agreement, then exploration of the property will proceed by way of a joint venture between Laurion and Stroud.

Leckie Lake Gold Resources (Historical Estimates):

- Indicated: 349,000 tons @ 0.203 oz/t: 70,644 oz.
- Inferred: 57,237 tons @ 0.173 oz/t: 9,902 oz.

B. OIL & GAS

Stroud moved into the oil & gas business in 1987, with the purchase of five natural gas and gas condensate wells in the Rimbey, Niton, and Pembina areas of central Alberta. Working interests at the time ranged from 0.3% to 8%. Over the years, several of the wells were sold and more wells were drilled.

Stroud now holds a 3.75% interest in up to six wells, including two of the newer wells (drilled in 2006). The properties are currently operated by OMERS Energy Inc.

Projects	Interest	Location	Commodity	Revenue
Rimbey/ Niton/ Pembina area	3.75% W.I. in six producing natural gas and gas condensate wells	Alberta	Natural Gas	Share of revenue (net of operating expenses)

Stroud receives monthly its proportionate share of the revenue from these properties, net of operating expenses. With more buoyant natural gas prices, annual gross oil & gas revenue exceeded $200,000. However, with lower prices and lower production volumes in 2009, gross revenue generated for Stroud will be substantially below this figure. For the first nine months of 2009, revenue was $83,851 compared with $199,851 in the first nine months of 2008, a decline of 58%.

The table below shows oil & gas results for the last nine quarters.

	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07
Oil and Gas Gross Revenue	23,640	29,236	30,975	51,837	77,874	71,517	50,198	46,543	57,545
Operating Expenses	(8,928)	(9,145)	(5,535)	(20,056)	(8,243)	(18,378)	(1,424)	(2,944)	(5,552)
Oil & Gas Cash Flow	14,712	20,091	25,440	31,781	69,631	53,139	48,774	43,599	51,993
Oil & Gas Margin	62.2%	68.7%	82.1%	61.3%	89.4%	74.3%	97.2%	93.7%	90.4%
Depletion	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
Oil & Gas Income	6,712	12,091	17,440	23,781	61,631	45,139	40,774	35,599	43,993

Source: Company and *e*Research

COMMENT: *As shown, since Q3/08 and through 2009 to date, there has been a decline in quarterly gross revenue, cash flow, and income. Except for Q1/09, the margin has fallen considerably over this period.*

2009 Third-Quarter and Nine-Months Oil & Gas Results

Revenue from Stroud's oil & gas properties fluctuates from quarter to quarter, affected by seasonal demand, prices, and production levels.

Lower production volumes and the decline in natural gas prices impacted oil & gas revenue in 2009. In the most recently reported quarter (Q3/09 ended September 30), oil & gas revenue dropped 70% to $23,640 compared with the corresponding period of 2008 when revenue was $77,874.

In the first nine months of 2009, revenue was down 58% to $83,851 compared with $199,851 in the corresponding period of 2008. Production volumes for the nine months were down 35% compared with the first nine months of 2008.

COMMENT: *With natural gas prices having recovered from 2009's lows, higher revenue and better margins are anticipated in 2010.Our estimates are shown in the financial tables on page 15.*

APPENDIX 2: MANAGEMENT

George Coburn, B.Sc., P.Geo., President and CEO, Director
George Coburn and his wife Rosemary co-founded Stroud in 1983. Mr. Coburn has worked as a geologist in Australia, Canada, the United States, the Philippines, and Mexico. He was a member of the team that discovered the Jabiluka uranium deposit in Australia. Mr. Coburn is a member of the Canadian Institute of Mining and Metallurgy, a Fellow of the Geological Association of Canada, and a member of the Prospectors and Developers Association of Canada.

Derek McBride, Ph.D., P. Eng., Professional Geologist
Derek McBride is managing Stroud's Mexican silver projects. He has 30 years' experience as a structural geologist in Canada and abroad. Mr. McBride is credited with the discovery of the Nugget Pond gold deposit in Newfoundland.

John Cantin, Drilling Consultant, Mexican Project
John Cantin has 50 years' experience in all aspects of drilling. He served as Operations Manager for Conners Drilling for 19 years, in charge of all operations in Canada, South America, and the United States.

Herbert Gasser, Director
Herbert Gasser is President of Fountainhead Mercantile Inc., a management consulting firm. He has also served as President of two publicly-listed junior gold producers, and as a Director with several Canadian public companies and a Canadian investment dealer.

Lonnie Kirsh, Director
Lonnie Kirsh is a corporate and securities lawyer with Kutkevicius Kirsh, a Toronto law firm. Mr. Kirsh has also served in the listings division of The Toronto Stock Exchange and the Corporate Finance Branch of the Ontario Securities Commission. He has over 20 years' experience with companies in the natural resources sector. Mr. Kirsh is a Director of several public companies.

APPENDIX 3: CORPORATE PICTURES

CORPORATE INFORMATION

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Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that:

(1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and

(2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

***e*Research analysts on this report:**

Bob Weir, B. Comm, B.Sc., CFA: Bob Weir has 43 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He joined *e*Research in 2004 and has been its President, CEO, and Managing Director, Research Services since May 2005. Prior to joining *e*Research, Mr. Weir was at Dominion Bond Rating Service (DBRS), latterly as Executive Vice-President responsible for supervising the firm's 34 analysts and conducting the day-to-day management affairs of the company.

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Speculative Buy: Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold: Expected total return within the next 12 months is between 0% and 10%.
Sell: Expected total return within the next 12 months is negative.

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Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.
Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.
Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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