

**STRATHMORE MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

## AUDITORS' REPORT

To the Shareholders of  
Strathmore Minerals Corp.

We have audited the restated consolidated balance sheets of Strathmore Minerals Corp. as at December 31, 2003 and 2002 and the restated consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these restated consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

As discussed in Note 6, these consolidated financial statements have been restated. Our report dated April 28, 2004, on the previously issued consolidated financial statements as at December 31, 2003 and 2002, has been withdrawn.

**"DAVIDSON & COMPANY"**

Vancouver, Canada

Chartered Accountants

April 28, 2004 (except for Note 6,  
which is as of May 21, 2004)

A Member of SC INTERNATIONAL

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31**

	2003	2002
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 990,279	\$ 11,784
Receivables	75,036	4,913
Prepaid expenses	<u>12,568</u>	<u>2,930</u>
	1,077,883	19,627
<b>Equipment</b> (Note 3)	5,869	7,690
<b>Mineral property interests</b> (Note 4)	146,983	48,640
<b>Deferred exploration costs</b> (Note 5)	<u>60,008</u>	<u>60,008</u>
	<u>\$ 1,290,743</u>	<u>\$ 135,965</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 48,016	\$ 11,580
Due to related parties (Note 8)	<u>-</u>	<u>38,647</u>
	<u>48,016</u>	<u>50,227</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	12,624,793	11,612,230
Contributed surplus (Note 6)	577,281	-
Deficit	<u>(11,959,347)</u>	<u>(11,526,492)</u>
	<u>1,242,727</u>	<u>85,738</u>
	<u>\$ 1,290,743</u>	<u>\$ 135,965</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 12)

**On behalf of the Board:**

“Devinder Randhawa”

Director

“Steven Kahn”

Director

The accompanying notes are an integral part of these consolidated financial statements.

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEAR ENDED DECEMBER 31**

	2003	2002
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Amortization	\$ 1,821	\$ 27,331
Consulting fees	86,591	54,551
Management fees	-	14,979
Office and miscellaneous	28,460	26,624
Professional fees	38,853	32,468
Regulatory fees	15,155	4,253
Rent	7,082	10,875
Shareholder communications	2,808	24,715
Stock-based compensation	221,994	-
Telephone	4,372	7,160
Trade shows and conferences	19,298	17,431
Transfer agent	8,598	3,929
Travel and promotion	6,836	15,146
	<u>(441,868)</u>	<u>(239,462)</u>
<b>OTHER ITEMS</b>		
Write-off of mineral property interests (Note 4)	-	(215,315)
Write-off of deferred exploration costs (Note 5)	-	(704,123)
Costs recovered	9,013	-
	<u>9,013</u>	<u>(919,438)</u>
<b>Loss for the year</b>	(432,855)	(1,158,900)
<b>Deficit, beginning of year</b>	<u>(11,526,492)</u>	<u>(10,367,592)</u>
<b>Deficit, end of year</b>	<u>\$ (11,959,347)</u>	<u>\$ (11,526,492)</u>
<b>Basics and diluted loss per share</b>	\$ (0.05)	\$ (0.17)
<b>Weighted average number of shares outstanding</b>	8,346,374	6,961,127

The accompanying notes are an integral part of these consolidated financial statements.

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (432,855)	\$ (1,158,900)
Items not affecting cash:		
Amortization	1,821	27,331
Stock-based compensation	221,994	-
Write-off of mineral property interests	-	215,315
Write-off of deferred exploration costs	-	704,123
Changes in non-cash working capital items:		
Increase in receivables	(70,123)	(3,171)
Increase in prepaid expenses	(9,638)	(2,399)
Increase in accounts payable and accrued liabilities	<u>36,436</u>	<u>3,966</u>
Cash used in operating activities	<u>(252,365)</u>	<u>(213,735)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property costs	(42,343)	(35,000)
Deferred exploration costs	<u>-</u>	<u>(3,819)</u>
Cash used in investing activities	<u>(42,343)</u>	<u>(38,819)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances to related parties	(38,647)	(47,050)
Capital stock issued	<u>1,311,850</u>	<u>307,000</u>
Cash provided by financing activities	<u>1,273,203</u>	<u>259,950</u>
<b>Increase in cash during the year</b>	978,495	7,396
<b>Cash, beginning of year</b>	<u>11,784</u>	<u>4,388</u>
<b>Cash, end of year</b>	<u>\$ 990,279</u>	<u>\$ 11,784</u>

Supplemental disclosure with respect to cash flows (Note 7)

The accompanying notes are an integral part of these consolidated financial statements.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2003

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Strathmore Minerals Corp. (the "Company") is a development stage company incorporated under the laws of the Province of British Columbia.

The Company is in the process of exploring its mineral property interests and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral property interests and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

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	2003	2002
Deficit	\$ (11,959,347)	\$ (11,526,492)
Working capital (deficiency)	1,029,867	(30,600)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Peruran S.A. (incorporated under the laws of Peru), and Strathmore Resources (US) Inc. (incorporated under the laws of Nevada, USA). Significant inter-company balances and transactions are eliminated on consolidation.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

**Equipment**

Equipment is recorded at cost and amortization is calculated using the declining-balance method at the following annual rates:

Office equipment	20%
Computer equipment	30%
Vehicles	30%

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral property interests and deferred exploration costs**

The Company records mineral property interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the mineral property interest and deferred exploration costs will be written off to operations in the period of abandonment.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject mineral property interest. Management's determination for impairment is based on: i) whether the Company's exploration programs on the mineral property interests has significantly changed, such that previously identified resource targets are no longer being pursued; ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future or iii) whether remaining lease terms are insufficient to conduct necessary studies or exploration work. As at December 31, 2003 and 2002, management believes that, other than amounts disclosed, no impairment relating to the mineral property interests and deferred exploration costs was required.

The recorded cost of mineral property interests and deferred exploration costs is based on cash paid and the assigned value of share consideration issued for mineral property interest acquisitions and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Deferred exploration costs**

The Company defers all exploration expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

**Cost of maintaining mineral property interests**

The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing.

**Environmental protection and rehabilitation costs**

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign currency translation**

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses arising on translation are included in the statement of operations.

**Flow-through common shares**

Proceeds from the sale of flow-through shares are credited to capital stock. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Future income taxes related to temporary differences arising on renunciation of expenditures to subscribers are offset against future income tax assets and the difference, if any, is charged to capital stock.

**Stock-based compensation**

Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which recommends that stock options granted to employees and non-employees be accounted for at fair value. This section also permits, and the Company adopted, the use of the intrinsic value-based method for valuing stock options granted to employees. Under this method, compensation cost for options granted to employees is recognized only when the market price exceeds the exercise price at date of grant. However, pro-forma disclosure of loss per share as if the fair value method had been adopted is required.

During the current year, the Company adopted, on a prospective basis, the fair value based method of accounting for all stock-based compensation including stock options granted to employees.

**Income taxes**

Income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**3. EQUIPMENT**

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 13,555	\$ 9,661	\$ 3,894	\$ 13,555	\$ 8,688	\$ 4,867
Computer equipment	15,833	13,858	1,975	15,833	13,010	2,823
Vehicles	-	-	-	56,800	56,800	-
	<u>\$ 29,388</u>	<u>\$ 23,519</u>	<u>\$ 5,869</u>	<u>\$ 86,188</u>	<u>\$ 78,498</u>	<u>\$ 7,690</u>

**4. MINERAL PROPERTY INTERESTS**

	2003	2002
Athabasca property, Canada	\$ 9,090	\$ -
Chord property, USA	111,108	48,640
Staked properties, Peru	23,561	-
Comstock property, Canada	1,612	-
Pre-acquisition property costs	<u>1,612</u>	<u>-</u>
	<u>\$ 146,983</u>	<u>\$ 48,640</u>

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

**Athabasca property, Canada**

The Company acquired an option, subject to regulatory approval, to purchase a 100% interest in a uranium property located in Alberta, Canada, by paying \$7,500 and incurring additional costs of \$1,590. To earn its interest, the Company is required to issue 200,000 common shares in stages to June 8, 2005. The property is subject to a 0.75% net smelter returns royalty on certain mineral production and a 4% gross over riding royalty on all diamond production from the property.

**Chord property, USA**

The Company acquired an option to purchase a 100% interest in a uranium property located in South Dakota, USA, by paying \$48,640. During fiscal 2003, the Company amended the terms of the lease agreement for consideration of 100,000 shares of the Company valued at \$56,000 and incurred additional fees of \$6,468. To earn its interest, the Company is required to make annual payments of either 50,000 common shares or US\$10,000 per year to July 1, 2009. The property is subject to a 2% gross royalty.

**Staked properties, Peru**

The Company re-acquired, by staking, a 100% interest in certain uranium properties located in Peru. During fiscal 2002, the claims were allowed to lapse and related acquisition costs of \$45,895 were written-off to operations.

**STRATHMORE MINERALS CORP.**  
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**4. MINERAL PROPERTY INTERESTS (cont'd...)**

**Comstock property, Canada**

The Company acquired an option to purchase a 100% interest in a certain claims located in British Columbia, Canada. To earn its interest, the Company is required to issue 300,000 common shares in stages to November 25, 2005.

**Aurora property, USA**

The Company acquired an option to purchase a 100% interest in a uranium property located in Oregon, USA. During fiscal 2002, the property was abandoned and related acquisition costs of \$121,220 were written-off to operations.

**Pre-acquisition property costs**

The pre-acquisition property costs represent expenditures related to mineral property interests prior to implementation of the acquisition. These costs will be added to the mineral property interests costs to which they relate on completion of the acquisition or written-off to operations should the acquisition not proceed.

**Wemindji East and Portage West properties, Canada**

During fiscal 2002, the Company entered into letters of intent to acquire options on the Wemindji East and Portage West properties located in Quebec, Canada. The Company advanced \$35,000 and issued 100,000 common shares pursuant to the agreements. The Company also issued 60,000 common shares valued at \$13,200 as a finder's fee. The option agreements did not complete and, accordingly, acquisition costs of \$48,200 were written-off to operations in fiscal 2002. The 100,000 common shares issued for the property were returned to treasury in the current year (Note 6).

**5. DEFERRED EXPLORATION COSTS**

	2003			2002		
	USA	Peru	Total	USA	Peru	Total
Balance, beginning of year	\$ 60,008	\$ -	\$ 60,008	\$ 155,069	\$ 605,243	\$ 760,312
General expenditures	-	-	-	3,819	-	3,819
Write-offs	-	-	-	(98,880)	(605,243)	(704,123)
	-	-	-	(95,061)	(605,243)	(700,304)
Balance, end of year	\$ 60,008	\$ -	\$ 60,008	\$ 60,008	\$ -	\$ 60,008

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares, without par value			
Issued			
As at December 31, 2001	5,801,548	\$ 11,182,030	\$ -
Private placements	2,085,000	417,000	-
Finder's fee on mineral property acquisition	<u>60,000</u>	<u>13,200</u>	<u>-</u>
	7,946,548	11,612,230	-
Shares issued on mineral property acquisition to be returned to treasury	<u>100,000</u>	<u>-</u>	<u>-</u>
As at December 31, 2002	8,046,548	11,612,230	-
Shares issued on mineral property acquisition returned to treasury	(100,000)	-	-
Private placements	5,222,229	734,278	415,722
Exercise of options	454,000	123,125	(55,025)
Exercise of warrants	435,000	108,750	-
Acquisition of mineral property	100,000	56,000	-
Stock-based compensation	-	-	221,994
Share issuance costs	<u>-</u>	<u>(9,590)</u>	<u>(5,410)</u>
As at December 31, 2003	<u>14,157,777</u>	<u>\$ 12,624,793</u>	<u>\$ 577,281</u>

Included in issued capital stock are 75,000 common shares subject to an escrow agreement that may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

In April, 2003, the Company returned 100,000 common shares to treasury. These shares were issued during fiscal 2002 pursuant to the acquisition of mineral property interests that were not completed (Note 4).

In November, 2003, the Company issued 2,222,229 units at \$0.18 per unit consisting of one common share and one share purchase warrant for total proceeds of \$400,000. Each warrant entitles the holder to acquire one additional common share at \$0.25 per share expiring November 24, 2005. An estimated fair value of \$140,918 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$7,000 on the private placement.

In December, 2003, the Company issued 3,000,000 units at a price of \$0.25 per unit comprised of 400,000 flow-through units and 2,600,000 non-flow-through units for total proceeds of \$750,000. Each unit consisted of one flow-through or non-flow-through common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at \$0.35 per share expiring December 17, 2005. An estimated fair value of \$274,804 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$8,000 on the private placement.

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options**

The Company has a stock option plan whereby, from time to time, at the discretion of the Board of Directors, stock options are granted to directors, officers, employees and certain consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less an applicable discount. The options can be granted for a maximum term of 5 years.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding, December 31, 2001 and 2002	550,000	\$	0.25
Granted	1,304,000		0.19
Exercised	(454,000)		0.15
Expired/cancelled	<u>(550,000)</u>		0.25
Outstanding, December 31, 2003	850,000	\$	0.21
Number of options currently exercisable	850,000	\$	0.21

As at December 31, 2003, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	350,000	\$ 0.15	September 12, 2005
	250,000	0.25	November 25, 2005
	250,000	0.27	November 27, 2005
<b>Warrants</b>	1,100,000	0.25	June 3, 2004
	2,222,229	0.25	November 24, 2005
	3,000,000	0.35	December 17, 2005 <sup>(1)</sup>

<sup>(1)</sup> The warrants are subject to accelerated expiry in the event that the 10 day average closing price of the Company's common stock is greater than or equal to \$0.75. If the \$0.75 average is achieved, holders of the warrants will be notified and the remaining term of the warrants will be shortened to 30 days although the exercise price will remain the same.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock based compensation**

During the current year, the Company granted 1,304,000 options to employees, consultants and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations. Total stock-based compensation recognized in the statement of operations during the year was \$221,994. This amount was also recorded as contributed surplus on the balance sheet.

The Company's consolidated financial statements for the year ended December 31, 2003 have been restated from the amounts previously reported to give effect to additional stock based compensation of \$68,606. Accordingly, stock based compensation expense and contributed surplus have been increased by \$68,606.

The following assumptions were used for the valuation of stock options during the year:

Risk-free interest rate	3.02%
Expected life of options	2 years
Annualized volatility	133%
Dividend rate	0.00%

**7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

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	2003	2002
Cash paid during the year for interest	\$ -	\$ 743
Cash paid during the year for income taxes	\$ -	\$ -

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During the year ended December 31, 2003, the Company issued 100,000 common shares valued at \$56,000 pursuant to the acquisition of mineral property interests.

During the year ended December 31, 2002, the Company issued 60,000 common shares valued at \$13,200 as a finder's fee on the acquisition of mineral property interests, and issued 550,000 common shares pursuant to a private placement for proceeds of \$110,000 which were received in fiscal 2001.

**8. RELATED PARTY TRANSACTIONS**

The Company entered into transactions with related parties as follows:

- Paid or accrued \$Nil (2002 - \$14,979) for management fees to a director.
- Paid or accrued \$77,689 (2002 - \$47,115) for consulting fees to a director and a company controlled by a director.
- Paid or accrued \$Nil (2002 - \$3,829) for rent to a director.
- Paid or accrued \$813 (2002 - \$18,992) for shareholder communications to a director and a company controlled by a director.

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. RELATED PARTY TRANSACTIONS (cont'd...)**

- e) Paid or accrued \$1,661 (2002 - \$1,608) for professional fees to the secretary of the Company.
- f) Pursuant to private placements, issued 1,213,779 (2002 - 1,000,000) common shares to directors and a company controlled by a director for total proceeds of \$259,000 (2002 - \$200,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

Included in receivables at December 31, 2003 is \$65,625 (2002 - \$Nil) due from a company controlled by a director of the Company. Subsequent to December 31, 2003, the amount was repaid to the Company.

**9. INCOME TAXES**

A reconciliation of current income taxes at statutory rates with the reported income taxes is as follows:

	2003	2002
Loss for the year	\$ (432,855)	\$ (1,158,900)
Current income tax recovery	\$ 162,754	\$ 458,924
Other items for non-deductible income tax purposes	(3,622)	(10,823)
Stock-based compensation not deductible for income tax purposes	(83,470)	-
Write-down of mineral property interests and deferred exploration	-	(364,098)
Unrecognized benefits of non-capital losses	(75,662)	(84,003)
Income tax recovery	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2003	2002
Future income tax assets:		
Equipment	\$ 28,702	\$ 29,630
Mineral property interests and related exploration expenditures	834,152	926,726
Other assets	21,360	22,560
Non-capital losses available for future periods	1,396,764	1,545,563
	2,280,978	2,524,479
Valuation allowance	(2,280,978)	(2,524,479)
Net future income tax asset	\$ -	\$ -

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2003

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**9. INCOME TAXES (cont'd...)**

The Company has available approximately \$3,923,000 of non-capital losses which, if unutilized, will expire through 2010. Subject to certain restrictions, the Company also has capital losses of \$368,000 and resource exploration expenditures of approximately \$2,630,000 available to reduce taxable income of future years. During the year ended December 31, 2003, the Company issued 400,000 common shares on a flow-through basis for proceeds of \$100,000. None of the expenditures have been incurred as at December 31, 2003, however the Company has renounced the entire amount of the expected resource deductions resulting in a future income tax liability. This liability has been offset against future income tax assets. Future tax benefits which may arise as a result of the remaining losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

**10. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment, being the exploration of mineral property interests and considers its loss from operations for fiscal years 2003 and 2002 to relate to this segment.

The Company has mineral property interests located in the USA, Canada and Peru and conducts administrative activities from Canada. The total amount of assets attributable to Canada is \$1,096,066 (2002 - \$27,317), Peru is \$23,561 (2002 - \$Nil) and the USA is \$171,116 (2002 - \$108,648).

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**12. SUBSEQUENT EVENTS**

Subsequent to December 31, 2003, the Company:

- a) Granted stock options to acquire 500,000 common shares at \$0.50 per share expiring January 9, 2006.
- b) Issued 4,767,444 units at \$0.27 per unit for cash proceeds of \$1,287,210. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.36 expiring January 20, 2006.
- c) Issued 1,501,333 units at \$0.60 per unit for cash proceeds of \$900,800. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.76 expiring February 23, 2006.
- d) Issued 3,436,167 units at \$0.60 per unit for cash proceeds of \$2,061,700. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.76 expiring April 16, 2006.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2003

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**12. SUBSEQUENT EVENTS** (cont'd...)

- e) Issued 788,891 common shares for cash proceeds of \$177,723 pursuant to the exercise of stock options and warrants.
- f) Acquired an option, subject to regulatory approval, to purchase a 100% interest in a uranium property located in New Mexico, USA, known as the Roco Honda and Ram mineral claims. To earn its interest, the Company is required to pay US\$150,000 and issue 150,000 common shares within 10 days of regulatory approval and issue 150,000 common shares within one year of regulatory approval.

**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

**STRATHMORE MINERALS CORP.**

**Business of the Company**

**Strathmore Minerals Corp.** (the "Company") is a junior resource issuer engaged in the acquisition and exploration of uranium and other types of mineral resource properties. Management believes that the development of uranium properties presents an opportunity due to recent supply shortfalls of uranium, the potential increase in demand for uranium in developing countries as those countries begin to establish new nuclear power plants, the possible increase in the price for uranium during the next few years, and the availability of known properties which have in the past produced uranium.

This discussion should be read in conjunction with the audited financial statements and related notes of the Company for the year-ended December 31, 2003 (the "Financial Statements"). The information in this Management Discussion and Analysis ("MD&A") contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The information contained in this report is made as of April 28, 2004.

**2003 Performance Summary**

The Company's primary objective is to locate, evaluate and acquire uranium properties and to finance their exploration and development through equity financing, by way of joint venture, option agreements or other means. The Company's current properties are located in Canada, the United States and Peru.

During fiscal 2002 the price of uranium remained low and management elected to sharply reduce expenditures and conserve cash. The Company eliminated all exploration and pared back on non-essential properties, decreasing the number of claims held in certain of its claim groups and thereby reducing the cost of holding its uranium properties with the resulting write-off of a number of its uranium properties. However, by the third quarter of 2003, the price of uranium had increased to a point where management decided to aggressively pursue the acquisition of new uranium properties in both the United States and Canada. In addition to the Peru property and the Chord Project, the Company has acquired, or negotiated the right to acquire additional properties in New Mexico, Quebec Alberta and Saskatchewan.

In order to finance these activities, the Company undertook two private placement financings during the year and raised a total of \$1,150,000. These funds are to be used for general working capital, the acquisition of additional uranium properties and the exploration of the Company's uranium properties.

## Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Year-end 12/31/03	Year-end 12/31/02	Year-end 12/31/01
Revenues (Net)	Nil	Nil	Nil
Other (Interest)	Nil	Nil	Nil
Gross Profit	Nil	Nil	Nil
General and Administrative Expenses	441,868	239,462	290,750
Write-off of mineral properties <sup>(1)</sup>	Nil	(215,315)	Nil
Write-off of deferred exploration costs <sup>(2)</sup>	Nil	(704,123)	Nil
Net Income (Loss)	(432,855)	(1,158,900)	(290,750)
Working Capital	1,029,867	(30,600)	(86,650)
<b>Mineral Properties</b>			
Acquisition costs	146,983	48,640	215,755
Deferred exploration and development	60,008	60,008	760,312
Other Assets <sup>(3)</sup>	Nil	Nil	8,344
Long Term Liabilities	Nil	Nil	Nil
<b>Shareholders' Equity</b>			
Dollar Amount	\$1,242,727	\$85,738	\$924,438
Number of Securities <sup>(4)</sup>	14,157,777	8,046,548	5,801,548

(1)In fiscal 2002 the Issuer wrote-off acquisition costs of \$215,315 (2003:nil) pertaining to its Peru properties and Aurora properties.

(2)In fiscal 2002 the Issuer wrote-off deferred exploration costs of \$704,123 (2003: \$nil) on its Peru and U.S. properties.

(3)The Company wrote off the balance of the geological database acquired in 1997;

(4)There were 14,157,777 shares issued and outstanding as of December 31, 2003 (2002: 8,046,548), of which 75,000 are escrowed shares which will be released only upon obtaining the consent of the appropriate regulatory authority.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## **Properties of the Company**

### **Peru Property Macusani Project**

The Macusani property is located in south-central Peru, in the Puno district of Carabaya Province. It is approximately 650 kilometres southeast of Lima and accessible by good quality unpaved roads from either Cusco or Juliaca. The properties are located in the heart of the 250 square-kilometre Macusani district. In order to reduce its holding costs, the Company allowed these staked properties to lapse and has since re-staked some of the original claims as the spot price of uranium has gradually risen to a current level of approximately \$17 (US) per pound.

### **Geology**

The geology of the district is uraniumiferous volcanic area deposited during the Tertiary period by thick outflows of tuffs and ignimbrites. The host for the uranium mineralization is the Miocene Quenamari Formation, consisting of horizontal units of alternating poorly consolidated tuffs and massive ignimbrites. Mineralization is known in the upper part of the ignimbrite pile and consists of sub-vertical fractures that have been filled with the uranium mineral autunite. Disseminated uranium mineralization occurs in the volcanic rocks adjacent to the fractures.

According to a published International Atomic Energy Agency (IAEA) technical report (Arribas and Figueroa, 1983), the Macusani project area is underlain mainly by pyroclastic volcanic rocks which host uranium mineralization at several localities. These host rocks are Plio-Quaternary rhyolite ash tuffs and welded tuffs (ignimbrites), in a resurgent caldera setting (similar to the McDermitt caldera in Oregon, USA).

Uranium mineralization is reported to occur mainly at the higher levels of the volcanic sequence, consisting for the most part of massive pitchblende, more or less weathered into gummite, autunite, and meta-autunite, and occurring as fillings and coatings in NNE trending sub-vertical veins and fractures (near Chapi and Calvario), and in sub-horizontal veins and fractures (near Pinocho and Chilcuno). These veins and fractures are thought to be shrinkage cracks formed by cooling of the ignimbrite sheets; they are reported to range from a few centimetres to several metres in length, and from 1 millimetre to 10 centimetres in width.

### **Previous Work**

The Macusani region was explored from August to October 1982 by a joint project (PER/81/004) of the Instituto Peruviano de Energia Nuclear (IPEN) and the IAEA (Arribas and Figueroa, 1983). Several prospective areas were identified, Chapi, cerro Calvario, cerro Concharrumio, etc.. The most prospective of these, pampa Suyupia, east of the village of Chapi, was explored further by IPEN, who carried out a radiometric survey in 1984, an emanometric (radon gas) survey in 1986, followed by trenching of anomalous areas in 1987.

Based on 58 trenches, cut from NW to SE across the mineralized area, a mineral inventory to a depth of 1-m was calculated by the IPEN. An inferred resource of 3.35 million tonnes at an

average grade of 0.10% U is quoted in an unpublished IPEN document (Arroyo, 1987). This shallow uranium resource covers an area of about 140,500 m<sup>2</sup>, and is located along the west side of pampa suyupia, about 600 m east of the village of Chapi.

### **Work by Strathmore**

The Macusani project was visited by Dr. Kenneth Friedman, a director of the Company and geologist David Miller, in September 1997, December 1997, and again in June 1998. At present, there is no work being done on the property except to re-stake some of the original claims.

### **Exploration Potential**

Exploration work completed to date on Strathmore's Macusani project has identified several areas of shallow uranium mineralization. This mineralization consists mainly of autunite and gummite, and appears to be hosted in cooling joints and fractures in shallow dipping ignimbrite sheets in the upper levels of a caldera related volcanic succession. As such, this mineralization may well be spread over wide areas, but is probably very discontinuous at each locality. The veins and fractures encountered so far are reported to be only a few centimetres thick, and only a few metres long, and probably are similarly limited in depth. However, the uranium grades of these veins and fractures are fairly high.

Two questions must be answered before embarking on the next exploration campaign: 1) are these veins the only source and host of uranium minerals in the area? or 2) are these veins surface manifestations of uranium mineralization at depth? The answer will not only determine how to continue exploring the property, but will also determine the economic potential of this project.

If all the uranium on the property is indeed only present in narrow, discontinuous, and shallow veins, then the economic potential of the property would depend on the discovery of areas where such areas could be recognized on air photos, and could be confirmed by mapping in the field.

If, on the other hand, there is evidence (or at least reason to believe) that these veins may be surface expressions of mineralization at depth, perhaps disseminated uranium in caldera moat sediments (as is the case at the Aurora deposit in the McDermitt Caldera), then the economic potential of the project would be significantly enhanced by the discovery of a uranium bearing volcano-sedimentary unit. The location of a resurgent dome within the caldera, and the caldera boundary fault(s) should be recognizable on aerial photos or satellite images, and could be confirmed by field mapping. Ground radiometric surveys could then be used to identify uranium bearing stratigraphic unit(s), and uranium bearing caldera related structures.

At present, the Company has mobilized a ground crew to map and identify known and new mineralization on the property.

### **Chord Project**

The Chord Project is located in Fall River County, South Dakota and comprises 23 claims. Pursuant to an agreement dated July 1, 1998, the Company may lease the property for up to 10 years by making lease payments of US\$10,000 per year. The property is subject to a 2% yellowcake royalty. The Company has negotiated an amendment to the lease agreement whereby the Company may, at its option, issue 50,000 common shares in lieu of the cash payments. At present, the Company has no work program in place for the property.

### **Comstock Property**

The Company acquired 3 claims covering approximately 300 hectares in the Slocan mining district of British Columbia. At present, the Company has no work program in place for the property.

### **Results of Operations**

While the long-term picture for uranium remains bright, none of this has been reflected in the price action of uranium for the past couple of years as uranium prices declined steadily during this period, to a multi-decade low of about \$7 per pound. However, by September 2003 the price of uranium rebounded to over \$12 per pound and is currently trading in the \$17 range.

During 2002, management elected to sharply reduce its expenditures and conserve cash. The Company eliminated all exploration and pared back on the non-essential properties decreasing the number of claims held in certain of its claim groups and thereby reducing the cost of holding its uranium properties with the resulting write-off of a number of its uranium properties.

However, by the third quarter of 2003, the price of uranium had increased to a point where management decided to aggressively pursue the acquisition of new uranium properties in the United States and Canada. In addition to the Peru property and the Chord Project, the Company has acquired, or negotiated the right to acquire additional uranium properties in New Mexico, Quebec, Alberta and Saskatchewan.

During 2003, the Company incurred \$98,343 in property acquisitions and deferred exploration and development costs. The Company expects these costs to increase significantly as it continues its program of acquisitions.

General and administration expenses increased from \$239,462 in 2002 to \$441,868 in 2003 as the activity of the Company increased due to the increase in the price of uranium. However, almost all of this increase is due to stock option expenses (\$221,994) which have been included in administration expenses for the first time (see the discussion on changes in accounting policy). The Company expects these expenses to continue to increase as the Company becomes more active.

## Summary of Quarterly Results

Description	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
2002 Net Income (loss)	(67,751)	(55,220)	(47,992)	(987,937)
2002 Net Income (loss) per share	(0.01)	(0.02)	(0.01)	(0.13)
2003 Net Income (loss)	(31,576)	(91,061)	(85,490)	(224,728)
2003 Net Income (loss) per share	(0.01)	(0.02)	(0.01)	(0.01)

## Liquidity

The Company does not have any operating revenues, and as a junior resource company engaged in mineral exploration, the Company does not anticipate generating any operating revenues in the next few years. Historically, the Company has received revenues only from interest earned on cash reserves held. The Company expects this to be the only source of its income for the next few years. The Company expects to rely upon equity financing as its primary source of funding.

## Financing, Principal Purposes and Milestones

In November, 2003, the Company raised \$400,000 by way of a private placement by issuing 2,229,229 units consisting of a share and a warrant to purchase one additional share at \$0.25 per share expiring November 24, 2005.

In December 2003, the Company raised an additional \$750,000 by issuing 400,000 flow-through units and 2,600,000 non-flow-through units; each unit consisting of a share and a warrant to purchase an additional share at \$0.35 per unit.

The Company will use the proceeds for general working capital, the acquisition of additional uranium properties and the exploration of the Company's uranium properties.

## Capital Resources

The Company has not entered into a property option agreement that requires the Company to meet certain yearly exploration expenditure requirements.

## Off-Balance Arrangements

The Company has not entered into any off-balance sheet financing arrangements.

## **Transactions with Related Parties**

During 2003 the Company paid management consulting fees in the amount of \$66,689 to a Company controlled by Devinder Randhawa, the President of the Company and \$11,000 to Mr. Bob Hemmerling, the Secretary of the Company. At December 31, 2003 an account receivable of \$65,625 was due from a company controlled by Mr. Randhawa. This account was paid subsequent to the year end. Mr. Randhawa participated in the financings of the company by acquiring, through private placements, 881,556 shares. In addition, other directors and officers of the Company acquired 355,556 shares for total proceeds of \$259,000.

## **Fourth Quarter**

During the fourth quarter, the Company was actively negotiating the right to acquire additional uranium properties in New Mexico, Quebec Alberta and Saskatchewan. In order to finance these activities, the Company undertook two private placement financings during the quarter and raised a total of \$1,150,000. These funds will be used for general working capital, the acquisition of uranium properties and the exploration of the Company's uranium properties.

## **Changes in Accounting Policies**

The Company has elected the early adoption, on a prospective basis, of the CICA released amendments to Section 3870, "Stock Based Compensation and Other Stock-based Payments", which require an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. During fiscal 2002, the Company disclosed the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair-value based method, as pro-forma information in the share capital note. The fair value of the options issued during fiscal 2003 was \$153,388, which was charged to the statement of operations.

## **Subsequent Events**

### **Properties**

The Company entered into an agreement to acquire a 100% interest in two uranium properties located in New Mexico, USA; the Roco Honda and Ram claims. To earn this interest, the Company is required to pay US\$150,000 and issue 150,000 common share upon regulatory approval and 150,000 common shares within one year of regulatory approval.

## **Financings and Options**

The Company granted options to acquire 500,000 common shares at \$0.50 per share expiring January 9, 2006.

The Company completed the following financing subsequent to the year end:

- \$1,287,210 by issuing 4,767,444 units at \$0.27 consisting of 1 share and a warrant to purchase 1 additional share at \$0.36 until January 20, 2006.
- \$900,800 by issuing 1,501,333 units at \$0.60 consisting of 1 share and a warrant to purchase 1 additional share at \$0.76 until February 23, 2006.
- \$2,061,700 by issuing 3,436,16 units at \$0.60 consisting of 1 share and a warrant to purchase 1 additional share at \$0.76 until April 16, 2006.