

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

**STRATHMORE MINERALS CORP.**

**Strathmore Minerals Corp.** (the "Company") is a junior resource issuer primarily engaged in the acquisition and exploration of uranium resource properties. Management believes that the development of uranium properties presents an opportunity for the following reasons:

- Increased worldwide energy demand
- Increased demand for uranium
- Uranium Demand/Supply Imbalance, resulting in higher uranium prices
- Potential for increased demand from developing countries as they construct new nuclear power plants
- The Company's advanced uranium projects are located in the United States where the domestic annual demand for uranium exceeds 50 million pounds, while production is less than 3 million pounds per year.

This increased demand and higher prices should stimulate new exploration and development of both new and previously explored uranium properties.

This discussion should be read in conjunction with the financial statements and related notes of the Company for the six month period ended June 30, 2006 (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 August 2, 2006.

**Performance Summary and Update**

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 the first two calendar quarters of 2003, the spot price of uranium remained at the low price of approximately \$10US/lb. However, by the third and fourth calendar quarters of 2003, the price increased to the \$12-14 US/lb range. At this time, Management decided to aggressively pursue the acquisition of new uranium properties in both the United States and Canada. The Company successfully acquired or negotiated the right to acquire additional uranium properties in the states of New Mexico and Wyoming in the United States, and the provinces of Quebec, Alberta and Saskatchewan in Canada.

## **Performance Summary and Update** (cont'd...)

During 2004, the price of uranium increased from approximately \$14US/lb to \$21.00US/lb. Strathmore continued to acquire uranium properties, adding to its portfolio in both Canada and the United States. In addition, the Company raised over \$10 million CDN through several equity private placements during the year.

In 2005, the Company continued to acquire properties in the United States and Canada. In January, a \$15,000,000 CDN equity private placement was completed primarily with institutional investors. In March, Management made a decision to advance its core area uranium properties in New Mexico towards production. The Company established a full-time mine development office in Santa Fe, New Mexico, and hired 2 professionals, with over 65 years experience, to facilitate the mine development process. The mine permitting initiative at the Company's Church Rock, New Mexico property is presently underway. In addition, the Company has commenced work programs in Saskatchewan and Quebec to advance both the exploration and development of targeted properties. Both the Waterbury Lake, Saskatchewan and the Dieter Lake, Quebec properties have been advanced to the drill stage. Airborne and ground geophysics have been initiated or are planned on the remaining Canadian properties. In Wyoming and New Mexico the Company continued its acquisition strategy and assembled additional land holdings strategic to its existing property portfolio.

In 2006, the price of uranium continued its uptrend to the \$47 US/lb range, which is the current price at the time of writing.

## **Properties of the Company**

The Company has acquired or announced the acquisition or staking of a number of prospective uranium properties and disclosed historical resource estimates which were completed prior to the implementation of NI 43-101. The following table summarizes these acquisitions and associated historical resource estimates and reports tonnage, grade and pounds. At the time of writing, NI 43-101 technical reports have been completed for the following properties: Duddridge Lake, Dieter Lake, Roca Honda and Churchrock. NI 43-101 compliant resource calculations have been prepared for the Church Rock, Roca Honda , and Duddridge Lake properties.

**Properties of the Company (cont'd...)**

Location	Reference	43-101 Compliant	Tonnage			Contained (lbs U <sub>3</sub> O <sub>8</sub> )
			(lbs/tonne)*			
Church Rock, New Mexico	David C. Fitch (2005)	Measured & Indicated	6,221,467	1.90	tons	11,848,007
	David C. Fitch (2005)	Inferred Resource <sup>4</sup>	1,950,560	1.81	tons	3,525,342
Roca Honda, New Mexico	David C. Fitch (2006)	Measured & Indicated	3,782,000	4.63	tons	17,512,000
	David C. Fitch (2006)	Inferred Resource <sup>4</sup>	4,546,000	3.48	tons	15,832,000
Duddridge Lake, Sask.	Stuart C. Fraser (2004)	Geologic Tonnage Estimate	357,310	2.11	tonne	753,924

Location	Reference	Historic Classification	Tonnage			Contained (lbs U <sub>3</sub> O <sub>8</sub> )
			(lbs/tonne)*			
Dieter Lake, Quebec	Petura and Plouffe (1981)	Estimated Resource Applying Radiometric Ore Sorting <sup>1</sup>	-	2.2	tonne	19,000,000
	Petura and Plouffe (1981)	Total Geologic Ore Reserve <sup>1</sup>	20,000,000	1.0	tonne	21,600,000
	Sully (1985)	Possible Reserves <sup>3</sup>	10 - 15,000,00	5.51	tons	55-82,000,000
	Sully (1985)	Possible Reserves <sup>3</sup>	50,000,000	2.2	tons	110,000,000
	Dahlkamp (2004)	Discovered In-Situ Resources <sup>1</sup>	-	-	-	22,000,000
Nose Rock, New Mexico	Phillips Uranium (1970's)	Demonstrated Resource <sup>4</sup>	6,694,217	2.7	tons	18,230,955
Dalton Pass, New Mexico	Pathfinder (1985)	Demonstrated Resource <sup>4</sup>	3,470,000	1.4	tons	4,735,000
	Pathfinder (1985)	Inferred Resource <sup>4</sup>	459,000	1.7	tons	765,000
Copper Mountain, Wyoming	Anaconda Uranium Corp. (1997)	Inferred and Indicated Resource <sup>4</sup>	45,570,000	0.54	tons	24,607,800
			42,240,000	0.34	tons	14,361,600
Pine Tree Claims, Powder River Basin, Wyoming	Pathfinder (1985)	Demonstrated Resource <sup>4</sup>	1,947,000	1.4	tons	2,646,000
	Pathfinder (1985)	Inferred Resource <sup>4</sup>	625,000	1.2	tons	750,000

\* Grade based on 2000 lbs/ton or 2204.62262 lbs/tonne, where appropriate

1 Historic resource estimate considered to be relevant and reliable

2 Historic resource estimate considered to be relevant but unreliable based on amount of data reviewed to date by the Company

3 Historic resource estimate considered to be relevant, but insufficient information is available to confirm the reliability of the resource estimate

4 Historic resource estimate considered to be relevant, and is presumed reliable based on the volumes of work completed. The company has not done sufficient work to verify the resource estimate

***It should be noted that the above data reported is based on third party historical reports and such estimates should not be relied upon or considered a defined resource according to NI 43-101***

## Results of Operations

For the six month period ended June 30, 2006, the Company spent \$2,939,276 on exploration and development as follows:

	Canada	USA	Peru	Total
As at December 31, 2004	103,933	63,716	-	167,649
Airborne geophysics surveys	1,497,325	-	-	1,497,325
Camp costs	41,534	-	4,573	46,107
Claim fees	38,178	168,188	22,165	228,531
Geologists fees and supplies	418,162	370,852	129,554	918,568
General expenses	16,326	8,074	1,861	26,261
Helicopter rental and equipment fuel	586,482	-	-	586,482
Lab analysis and sampling	38,802	-	-	38,802
NI 43-101 reports	21,334	3,841	-	25,175
Report/map preparation	<u>33,869</u>	<u>606</u>	<u>1,615</u>	<u>36,090</u>
2005 exploration and development	<u>2,692,012</u>	<u>551,561</u>	<u>159,768</u>	<u>3,403,341</u>
As at December 31, 2005	2,795,945	615,277	159,768	3,570,990
Airborne geophysics surveys	1,019,105	-	-	1,019,105
Camp Costs	46,432	-	-	46,432
Claim fees	160,007	71,800	27,102	258,909
Geologists fees & supplies	625,762	557,789	56,912	1,238,663
General expenses	5,345	39,494	4,133	48,973
Travel	148,827	73,115	4,621	226,564
Helicopter rental & equipment fuel	58,333	-	-	58,333
Lab analysis & sampling	991	-	-	991
NI 43-101 reports	6,130	-	-	6,130
Report/Map preparation	<u>32,511</u>	<u>106</u>	<u>761</u>	<u>33,378</u>
Period ended June 30, 2006 exploration and development	<u>2,103,443</u>	<u>742,304</u>	<u>93,529</u>	<u>2,939,276</u>
Cumulative exploration and development as at June 30, 2006	<u>\$ 4,899,388</u>	<u>\$ 1,357,581</u>	<u>\$ 253,297</u>	<u>\$ 6,510,266</u>

For the six month period ending June 30, 2006, general and administrative expenses increased from \$1,084,091 in 2005 to \$1,643,843 in 2006, as the activity of the Company increased significantly as it expanded to take advantage of rising uranium prices. The Company expects general and administrative expenses to continue to increase as the Company becomes more active in all geographic regions and hires additional employees. (See the financial statements dated June 30, 2006 for a complete listing) The Company now maintains 3 full-time offices. Headquartered in Kelowna, British Columbia, the Company also has an exploration and development office Riverton, Wyoming and a mine development office Santa Fe, New Mexico.

### Summary of Quarterly Results

		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>2004</b>	Net Income (loss)	(327,777)	(206,047)	(613,762)	(846,624)
	Net Income (loss) per share	(0.02)	(0.01)	(0.02)	(0.03)
<b>2005</b>	Net Income (loss)	(218,878)	(557,802)	(385,489)	(460,333)
	Net Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
<b>2006</b>	Net Income (loss)	(500,780)	(745,149)		
	Net Income (loss) per share	(0.01)	(0.01)		

As the Company expanded in 2004 and 2005 to take advantage of rising uranium prices, quarterly expenses have increased. Losses in the first quarter of 2005 were reduced by a future income tax recovery of 376,524. Equity financings in late 2004 and early 2005 increased cash balances providing additional investment income to reduce 2005 quarterly losses.

### Liquidity

The Company does not have any operating revenues, and as a junior resource company engaged in mineral exploration and development. The Company does not anticipate generating any operating revenues in the next few years. Historically, the Company has received revenues only from investment income on cash reserves held. The Company expects investment income on cash balances 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 February, 2005, the Company issued 10,000,000 units at \$1.50 per unit for gross proceeds of \$15,000,000. Each unit consisted of one common share and one half of one share purchase warrant. One whole warrant was exercisable at \$1.75 until February 21, 2006 and thereafter at \$2.00 expiring February 21, 2007. An estimated fair value of \$2,480,945 was allocated to the warrants and is included in contributed surplus. In connection with the placement the Company issued agent options to purchase 1,027,180 common shares at a price of \$1.75 per share in the first year and \$2.00 per share in the second year and paid commissions of \$1,027,180, of which \$169,892 was allocated to the commissions on the warrants and is included in contributed surplus. The fair value of the agents options, being \$802,026, was determined using the Black-Scholes option pricing model with a volatility of 62%, risk-free interest rate of 2.92%, expected life of 2 years, and a dividend rate of 0%.

### **Financing, Principal Purposes and Milestones (Cont'd...)**

In October, 2005, the Company issued 114,286 units at \$1.75 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one half of one share purchase warrant exercisable at \$2.00 per share until October 26, 2007.

In May, 2006, the Company issued 1,697,300 flow-through shares at \$3.00 per share and 1,565,650 units at \$2.30 per unit for total proceeds of \$8,699,795. Each unit consists of one common share and one share purchase warrant. One whole warrant is exercisable at \$3.25 and expires November 9, 2007. In connection with the placement, the Company paid commissions of \$521,988 in cash and issued 195,957 Agents' options. Each option entitles the Agent to purchase one common share at \$2.55 per share and expires May 9, 2007.

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

### **Capital Resources**

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

### **Outstanding Share Data**

As at August 2, 2006, the Company has 69,397,630 common shares issued and outstanding. The Company also has 2,510,000 incentive stock options ranging in exercise price from \$1.25 to \$2.50 per share, 195,957 agents' options exercisable at \$2.55 per share, and 1,144,324 share purchase warrants exercisable at \$2.00 or \$3.25 per share.

### **Transactions with Related Parties**

During the six period ended June 30, 2006, the Company paid or accrued management consulting fees in the amount of \$67,874 to a company controlled by Devinder Randhawa, the Chief Executive Officer of the Company. Management consulting fees of \$61,756 were paid or accrued to a company controlled by a director, Steven Khan, for services provided to the Company. David Miller, the President and Chief Operating Officer, received \$72,106 for his services. Bob Hemmerling, the Secretary of the Company, received \$42,000 for his services. Patrick Groening, the Chief Financial Officer, received \$42,000 for his services.

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

### **Transactions with Related Parties (Cont'd...)**

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

### **Financial Instruments**

The Company's financial instruments consist of cash and equivalents, short term investments, receivables, accounts management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. The Company is subject to financial risk arising from fluctuations in foreign payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

**STRATHMORE MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**JUNE 30, 2006**

## **Unaudited Interim Financial Statements**

### **Notice**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended June 30, 2006.

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 10,204,316	\$ 12,143,821
Short term investments	26,651,729	9,001,064
Receivables	252,778	240,244
Prepaid expenses	<u>17,829</u>	<u>26,651</u>
	37,126,652	21,411,780
<b>Equipment</b>	198,119	208,229
<b>Mineral property interests</b> (Note 3)	8,022,225	5,579,778
<b>Deferred exploration costs</b> (Note 4)	<u>6,510,266</u>	<u>3,570,990</u>
	<u>\$ 51,857,262</u>	<u>\$ 30,770,777</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 329,572	\$ 171,356
Due to related parties (Note 7)	<u>26,786</u>	<u>14,291</u>
	<u>356,358</u>	<u>185,647</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	66,532,538	41,299,968
Subscriptions received in advance	-	3,600
Contributed surplus (Note 5)	1,790,354	4,857,621
Deficit	<u>(16,821,988)</u>	<u>(15,576,059)</u>
	<u>51,500,904</u>	<u>30,585,130</u>
	<u>\$ 51,857,262</u>	<u>\$ 30,770,777</u>

**Basis of presentation** (Note 1)

**On behalf of the Board:**

\_\_\_\_\_  
Director \_\_\_\_\_ Director

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

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
(Unaudited)

	Three Month Period Ended June 30, 2006	Three Month Period Ended June 30, 2005	Six Month Period Ended June 30, 2006	Six Month Period Ended June 30, 2005
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Advertising and promotion	\$ 42,765	\$ -	\$ 56,316	\$ -
Amortization	13,162	10,413	25,807	14,858
Business development	35,278	24,323	50,924	59,152
Consulting fees	210,436	153,684	405,953	321,323
Office and miscellaneous	29,753	69,460	49,208	156,799
Professional fees	93,082	20,044	174,894	48,504
Regulatory fees	4,454	1,154	35,598	14,499
Rent	14,918	17,373	27,667	21,460
Shareholder communications	36,461	1,162	40,517	7,961
Short term investment fees	24,832	-	34,781	-
Stock-based compensation (Note 5)	199,334	-	315,440	195,201
Telephone	10,328	13,008	20,871	22,022
Transfer agent	4,774	2,555	10,871	8,973
Trade shows and conferences	112,561	52,066	209,596	108,877
Travel	16,822	27,655	30,906	35,763
Wages and benefits	66,037	40,702	154,494	68,699
<b>Loss before other item</b>	(914,997)	(433,599)	(1,643,843)	(1,084,091)
<b>OTHER ITEM</b>				
Investment income	337,658	99,795	605,295	175,284
Allowance for decline in investment	(167,810)	-	(207,381)	-
<b>Loss before income taxes</b>	(745,149)	(333,804)	(1,245,929)	(908,807)
Future income tax recovery	-	-	-	356,125
<b>Loss for the period</b>	(745,149)	(333,804)	(1,245,929)	(552,682)
<b>Deficit, beginning of period</b>	(16,076,839)	(14,172,435)	(15,576,059)	(13,953,557)
<b>Deficit, end of period</b>	\$ (16,821,988)	\$ (14,506,239)	\$ (16,821,988)	\$ (14,506,239)
<b>Basic and diluted loss per common share</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	66,619,230	49,930,155	62,811,309	45,816,182

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

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

	Three Month Period Ended June 30, 2006	Three Month Period Ended June 30, 2005	Six Month Period Ended June 30, 2006	Six Month Period Ended June 30, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (745,149)	\$ (333,804)	\$ (1,245,929)	\$ (552,682)
Items not affecting cash				
Amortization	13,162	10,413	25,807	14,858
Allowance for decline in investment	167,810		207,381	
Stock-based compensation	199,334	-	315,440	195,201
Future income taxes	-	-	-	(356,125)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(157,201)	(43,559)	(12,534)	(70,860)
Decrease in prepaid expenses	1,242	31,446	8,821	13,316
(Decrease) increase in accounts payable and accrued liabilities	<u>116,752</u>	<u>(64,109)</u>	<u>158,216</u>	<u>119,730</u>
Cash used in operating activities	<u>(404,050)</u>	<u>(399,613)</u>	<u>(542,798)</u>	<u>(636,562)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Deferred exploration costs	(2,127,722)	(389,003)	(2,939,276)	(985,821)
Increase in short term investments	(13,493,556)		(17,858,046)	( )
Equipment purchased	(8,441)	(86,408)	(15,697)	(106,057)
Mineral property interests	<u>(329,338)</u>	<u>(119,440)</u>	<u>(336,947)</u>	<u>(155,084)</u>
Cash used in investing activities	<u>(15,959,057)</u>	<u>(594,851)</u>	<u>(21,149,966)</u>	<u>(1,246,962)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase (decrease) in due to related parties	(16,775)	17,426	12,495	19,949
Share issuance costs	(673,947)	-	(679,245)	(1,122,612)
Capital stock issued	<u>12,305,012</u>	<u>584,039</u>	<u>20,420,009</u>	<u>17,059,061</u>
Cash provided by financing activities	<u>11,614,290</u>	<u>601,465</u>	<u>19,753,259</u>	<u>15,956,398</u>
<b>Change in cash and equivalents during the period</b>	<b>(4,748,817)</b>	<b>(392,999)</b>	<b>(1,939,505)</b>	<b>14,072,874</b>
<b>Cash and equivalents, beginning of period</b>	<u><b>14,953,133</b></u>	<u><b>23,548,899</b></u>	<u><b>12,143,821</b></u>	<u><b>9,083,026</b></u>
<b>Cash and equivalents, end of period</b>	<u><b>\$ 10,204,316</b></u>	<u><b>\$ 23,155,900</b></u>	<u><b>\$ 10,204,316</b></u>	<u><b>\$ 23,155,900</b></u>

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

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
JUNE 30, 2006

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**1. BASIS OF PRESENTATION**

The consolidated financial statements contained herein include the accounts of Strathmore Minerals Corp. (the "Company") and its wholly owned subsidiaries, Peruran S.A., and Strathmore Resources (US) Inc. Significant inter-company balances and transactions are eliminated on consolidation.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**2. NATURE OF OPERATIONS**

The Company's principal business activity is the acquisition and exploration of mineral property interests.

**3. MINERAL PROPERTY INTERESTS**

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	June 30, 2006	December 31, 2005
Athabasca property, Canada	\$ 459,702	\$ 459,702
Chord property, USA	137,282	137,282
Comstock property, Canada	494,271	297,271
Dieter Lake property, Canada	618,792	421,792
Duddridge Lake property, Canada	382,245	191,245
Fort Mcleod property, Canada	299,070	-
New Mexico properties, USA	1,718,043	1,272,616
Staked properties, Canada	1,109,088	798,153
Staked properties, Peru	69,580	69,580
Wyoming properties, USA	2,446,698	1,615,698
Pre-acquisition property costs	<u>287,454</u>	<u>316,439</u>
	<u>\$ 8,022,225</u>	<u>\$ 5,579,778</u>

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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.

**3. MINERAL PROPERTY INTERESTS (cont'd...)**

**Athabasca property, Canada**

The Company acquired an option to purchase a 100% interest in a uranium property located in Alberta, Canada, by paying \$98,192, incurring additional costs of \$29,510 and issuing 200,000 common shares valued at \$332,000. 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. In fiscal 2005, the Company paid \$12,558 (US\$10,000), 2004 - \$13,616 (US\$10,000). The property is subject to a 2% gross royalty.

**Comstock property, Canada**

The Company acquired an option to purchase a 100% interest in certain claims located in British Columbia, Canada by issuing 300,000 common shares valued at \$491,000 and incurring additional fees of \$3,271.

**Dieter Lake property, Canada**

The Company acquired an option to purchase a 100% interest in certain claims located in Quebec, Canada by issuing 300,000 common shares valued at \$603,000 and incurring additional costs of \$15,792. An additional 200,000 shares will be issued in the event a resource of more than 60 million pounds containing U<sub>3</sub>O<sub>8</sub> (Uranium) is confirmed at the property.

**Duddridge Lake property, Canada**

The Company acquired an option to purchase a 100% interest in certain claims located in Saskatchewan, Canada by issuing 200,000 common shares valued at \$344,000 and incurring additional fees of \$38,245.

**Fort Mcleod property, Canada**

The company acquired an option to purchase a 100% interest in certain claims located in Alberta, Canada, by paying \$34,070 for staking costs and issuing 100,000 shares valued at \$265,000. To earn its interest, the company is required to issue an additional 100,000 common shares.

**New Mexico properties, USA**

The Company acquired an option to purchase a 100% interest in certain claims located in New Mexico, USA, by paying \$272,825, incurring additional costs of \$315,791 and issuing 600,000 common shares valued at \$1,108,500. Certain claims are subject to a 1% royalty.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
JUNE 30, 2006

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**3. MINERAL PROPERTY INTERESTS (cont'd...)**

**Staked properties, Canada**

The Company acquired, by staking, a 100% interest in the following uranium properties located in north-central Saskatchewan: Davy Lake, Hall Lake, Patterson Lake, Virgin River, and Waterbury Lake.

**Staked properties, Peru**

The Company acquired, by staking, a 100% interest in certain uranium properties located in Peru.

**Wyoming properties, USA**

The Company acquired an option to purchase a 100% interest in a certain claims located in Wyoming, USA by paying \$87,560, incurring additional costs of \$261,888 and issuing 1,100,000 common shares valued at \$2,097,250. To earn its interest, the Company is required to issue an additional 150,000 common shares in stages over two years.

**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 interest costs to which they relate on completion of the acquisition or written-off to operations should the acquisition not proceed.

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**4. DEFERRED EXPLORATION COSTS**

	Canada	USA	Peru	Total
As at December 31, 2004	103,933	63,716	-	167,649
Airborne geophysics surveys	1,497,325	-	-	1,497,325
Camp costs	41,534	-	4,573	46,107
Claim fees	38,178	168,188	22,165	228,531
Geologists fees and supplies	418,162	370,852	129,554	918,568
General expenses	16,326	8,074	1,861	26,261
Helicopter rental and equipment fuel	586,482	-	-	586,482
Lab analysis and sampling	38,802	-	-	38,802
NI 43-101 reports	21,334	3,841	-	25,175
Report/map preparation	<u>33,869</u>	<u>606</u>	<u>1,615</u>	<u>36,090</u>
As at December 31, 2005	2,795,945	615,277	159,768	3,570,990
Airborne geophysics surveys	1,019,105	-	-	1,019,105
Camp costs	46,432	-	-	46,432
Claim fees	160,007	71,800	27,102	258,909
Geologists fees & supplies	625,762	557,789	56,912	1,238,663
General expenses	5,345	39,494	4,133	48,973
Travel	148,827	73,115	4,621	226,564
Helicopter rental & equipment fuel	58,333	-	-	58,333
Lab analysis & sampling	991	-	-	991
NI 43-101 reports	6,130	-	-	6,130
Report/Map preparation	<u>32,511</u>	<u>106</u>	<u>761</u>	<u>33,378</u>
As at June 30, 2006	\$ 4,899,388	\$ 1,357,581	\$ 253,297	\$ 6,510,266

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**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited number of common shares, without par value			
Issued			
As at December 31, 2004	36,241,257	\$ 23,457,405	\$ 2,420,262
Private placements	10,144,286	12,752,584	2,505,917
Exercise of options	887,000	466,080	(169,381)
Exercise of warrants	7,082,971	4,280,507	(875,269)
Acquisition of mineral property interests	1,400,000	2,377,750	-
Stock-based compensation	-	-	476,610
Share issuance costs	-	(1,657,834)	499,482
Tax benefits renounced to flow through share subscribers	-	(376,524)	-
As at December 31, 2005	55,755,514	41,299,968	4,857,621
Private placements	3,265,950	8,699,795	-
Exercise of options	1,590,000	1,367,598	(446,798)
Exercise of warrants	7,936,166	13,738,923	(2,935,909)
Acquisition of mineral property interests	850,000	2,105,500	-
Stock-based compensation	-	-	315,440
Share issuance costs	-	(679,246)	-
As at June 30, 2006	69,397,630	\$ 66,532,538	\$ 1,790,354

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 January, 2005, the Company issued 30,000 flow-through common shares at a price of \$1.95 per share for proceeds of \$58,500 which were received in fiscal 2004.

In February, 2005, the Company issued 10,000,000 units at \$1.50 per unit for gross proceeds of \$15,000,000. Each unit consists of one common share and one half of one share purchase warrant. One whole warrant is exercisable at \$1.75 until February 21, 2006 and thereafter at \$2.00 expiring February 21, 2007. An estimated fair value of \$2,480,945 was allocated to the warrants and is included in contributed surplus. In connection with the placement the Company issued agent options to purchase 1,027,180 common shares at a price of \$1.75 per share in the first year and \$2.00 per share in the second year and paid commissions of \$1,027,180, of which \$169,892 was allocated to the commissions on the warrants and is included in contributed surplus. The fair value of the agents options, being \$802,026, was determined using the Black-Scholes option pricing model with a volatility of 62%, risk-free interest rate of 2.92%, expected life of 2 years, and a dividend rate of 0%.

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**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Cont'd...)**

In October, 2005, the Company issued 114,286 units at \$1.75 per unit for gross proceeds of \$200,001. Each unit consists of one common share and one half of one share purchase warrant exercisable at \$2.00 per share until October 26, 2007. An estimated fair value of \$24,972 was allocated to the warrants and is included in contributed surplus.

In May, 2006, the Company issued 1,697,300 flow-through shares at \$3.00 per share and 1,568,650 units at \$2.30 per unit for total proceeds of \$8,699,795. Each unit consists of one common share and one half of one share purchase warrant. One whole warrant is exercisable at \$3.25 and expires November 9, 2007. In connection with the placement, the Company paid commissions of \$521,988 in cash and issued 195,957 Agents' options. Each option entitles the Agent to purchase one common share at \$2.55 per share and expires May 9, 2007.

**Stock options and warrants**

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 and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2004	10,081,638	\$ 0.54	3,275,000	\$ 0.68
Granted	6,084,323	1.75	1,600,000	1.69
Exercised	(7,082,971)	0.48	(887,000)	0.33
Expired/cancelled	-	-	(100,000)	1.44
Outstanding, December 31, 2005	9,082,990	\$ 1.37	3,888,000	\$ 1.16
Granted	980,282	3.11	275,000	1.85
Exercised	(7,936,166)	1.36	(1,590,000)	0.58
Expired/cancelled	(2,500)	0.76	(63,000)	1.86
Outstanding, June 30, 2006	2,124,606	\$ 2.51	2,510,000	\$ 1.62
Number currently exercisable	2,124,606	\$ 2.51	2,510,000	\$ 1.62

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**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options and warrants (cont'd)**

As at June 30, 2006, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	700,000	1.25	November 3, 2006
	250,000	1.75	January 14, 2007
	20,000	2.25	February 8, 2007
	300,000	2.20	April 29, 2007
	125,000	2.50	April 13, 2009
	100,000	1.95	February 15, 2009
	965,000	1.50	October 6, 2010
	<u>50,000</u>	1.75	June 14, 2011
Total	2,510,000		
<b>Warrants</b>	1,087,181	2.00	February 21, 2007
	195,957	2.55	May 9, 2007
	57,143	2.00	October 26, 2007
	<u>784,325</u>	3.25	November 9, 2007
Total	2,124,606		

**Stock-based compensation**

During the six month period ended June 30, 2006, the Company granted 275,000 (2005 – 600,000) 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 was \$315,440 (2005 - \$195,201). This amount was also recorded as contributed surplus on the balance sheet.

The following assumptions were used for the valuation of stock options and warrants:

	2006	2005
Risk-free interest rate	4.02 – 4.25%	2.92%
Expected life	3 – 5 years	2 years
Annualized volatility	40 – 53%	62%
Dividend rate	0.00%	0.00%

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

	Three Month Period Ended June 30, 2006	Three Month Period Ended June 30, 2005	Six Month Period Ended June 30, 2006	Six Month Period Ended June 30, 2005
Cash paid during the period for interest	\$ -	\$ -	\$ -	\$ -

During the six month period ended June 30, 2006 the Company issued 850,000 (2005 – 725,000) common shares valued at \$2,105,500 (2005 -\$1,406,750) pursuant to the acquisition of mineral property interests.

**7. RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties:

Six month period ended June 30	2006	2005
Consulting fees	\$ 285,736	\$ 170,632

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 parties.

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

**8. 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 periods ended June 30, 2006 and 2005 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 \$45,291,418 (2005 - \$26,527,657), Peru is \$322,876 (2005 - \$139,755) and the USA is \$6,242,968 (2005 - \$2,159,203).