

Consolidated financial statements of

Strathmore Minerals Corp.

September 30, 2010

(Unaudited – prepared by management)

Strathmore Minerals Corp.

Unaudited Interim Consolidated 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 consolidated financial statements for the period ended September 30, 2010.

Strathmore Minerals Corp.

September 30, 2010

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Strathmore Minerals Corp.

Consolidated balance sheets
(Unaudited - prepared by management)

	September 30, 2010	December 31, 2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	9,474,940	1,165,676
Short-term investments (Note 3)	15,109,451	2,866,990
Amounts receivable	112,272	78,096
Income taxes receivable	275,474	-
Prepaid expenses	238,215	91,215
	25,210,352	4,201,977
Investments (Note 4)	172,840	94,660
Property and equipment	1,379,347	1,510,759
Mineral property interests (Note 5)	27,380,576	23,030,636
	54,143,115	28,838,032
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	821,420	984,747
Deposit on sale proceeds (Note 5(b)(iii))	-	261,650
	821,420	1,246,397
Equity		
Capital stock	61,070,233	53,473,594
Contributed surplus	8,527,261	7,427,613
Deficit	(22,435,265)	(38,304,278)
Accumulated other comprehensive income	14,690	(63,490)
Attributable to Shareholders of Strathmore Minerals Corp.	47,176,919	22,533,439
Non-controlling interest (Note 5(a)(i))	6,144,776	5,058,196
	53,321,695	27,591,635
	54,143,115	28,838,032

Nature and continuance of operations (Note 1)
Contingencies (Note 10)
Subsequent event (Note 13)

Strathmore Minerals Corp.

Consolidated statements of operations
(Unaudited - prepared by management)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
General and administrative expenses				
Amortization	62,448	188,451	181,871	349,757
Consulting fees	221,266	200,720	1,240,530	660,804
Corporate development and investor relations	135,528	56,419	365,409	181,349
Office and administration	128,408	130,746	428,266	397,056
Professional fees	31,068	39,317	147,709	188,748
Stock-based compensation (Note 6(c))	185,779	346,994	751,211	1,053,283
Transfer agent and regulatory fees	12,583	5,674	33,502	24,405
Wages and benefits	131,664	100,927	490,766	355,126
	908,744	1,069,248	3,639,264	3,210,528
Loss before other items	(908,744)	(1,069,248)	(3,639,264)	(3,210,528)
Other items				
Exploration management fee income	-	13,694	18,069	43,952
Foreign currency gain (loss)	(327,400)	(9,835)	474,992	34,299
Gain on disposition of mineral property	-	25,269	-	25,269
Investment and miscellaneous income	68,895	23,027	125,333	89,980
Realized gain on short-term investments	-	-	20,202	-
Unrealized gain on short-term investments	796,105	107,745	265,368	107,745
Mineral property write-down (Note 5)	-	-	(2,438)	-
	537,600	159,900	901,526	301,245
Loss from continuing operations before income taxes	(371,144)	(909,348)	(2,737,738)	(2,909,283)
Income tax recovery (Note 5(b)(iii))	246,379	-	4,350,897	-
Income (loss) from continuing operations	(124,765)	(909,348)	1,613,159	(2,909,283)
Discontinued operations				
Gain on disposition of mineral property interests, net (Note 5(b)(iii))	19,822	-	14,197,818	-
Net income (loss) for the period	(104,943)	(909,348)	15,810,977	(2,909,283)
Attributable to:				
Shareholders of Strathmore Minerals Corp.	(92,450)	(909,348)	15,869,013	(2,909,283)
Non-controlling interests	(12,493)	-	(58,036)	-
Net income (loss) for the period	(104,943)	(909,348)	15,810,977	(2,909,283)
Basic and diluted income (loss) per common share from continuing operations:				
Basic and diluted	(0.01)	(0.01)	0.02	(0.04)
Basic and diluted income (loss) per common share:				
Basic	(0.01)	(0.01)	0.18	(0.04)
Diluted	(0.01)	(0.01)	0.18	(0.04)
Weighted average number of common shares outstanding:				
Basic	84,496,925	72,458,911	86,705,619	72,458,911
Effect of dilution of stock options and warrants:				
Diluted	85,577,949	72,458,911	88,079,879	72,458,911

Strathmore Minerals Corp.

Consolidated statements of comprehensive income (loss)
(Unaudited - prepared by management)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net income (loss) for the period	(104,943)	(909,348)	15,810,977	(2,909,283)
Other comprehensive gain (loss)				
Gain (loss) on available-for-sale securities (Note 4)	76,920	22,840	78,180	104,790
Comprehensive income (loss) for the period	(28,023)	(886,508)	15,889,157	(2,804,493)
Attributable to:				
Shareholders of Strathmore Minerals Corp.	(15,530)	(886,508)	15,947,193	(2,804,493)
Non-controlling interests	(12,493)	-	(58,036)	-
Comprehensive income (loss) for the period	(28,023)	(886,508)	15,889,157	(2,804,493)

Strathmore Minerals Corp.

Consolidated statements of equity
 Nine month period ended September 30
 (Unaudited - prepared by management)

	Common shares		Contributed surplus	Accumulated other comprehensive income (loss)	(Deficit)	Attributable to: Shareholders of Strathmore Minerals Corp.	Non-controlling interests	Total
	Shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2008	72,458,911	53,473,594	5,983,511	-	(32,015,779)	27,441,326	4,306,404	31,747,730
Loss on available-for-sale securities	-	-	-	(63,490)	-	(63,490)	-	(63,490)
Stock-based compensation (Note 6(c))			1,444,102			1,444,102		1,444,102
Contributions to Roca Honda			-			-	751,792	751,792
Net loss	-	-	-	-	(6,288,499)	(6,288,499)	-	(6,288,499)
Balance, December 31, 2009	72,458,911	53,473,594	7,427,613	(63,490)	(38,304,278)	22,533,439	5,058,196	27,591,635
Exercise of options	195,667	121,293	(41,072)	-	-	80,221	-	80,221
Gain on available-for-sale securities	-	-	-	78,180	-	78,180	-	78,180
Common share units issued (Note 6(a))	15,243,727	8,384,050	-	-	-	8,384,050	-	8,384,050
Share issue costs	-	(908,704)	389,509	-	-	(519,195)	-	(519,195)
Stock-based compensation (Note 6(c))	-	-	751,211	-	-	751,211	-	751,211
Contributions to Roca Honda	-	-	-	-	-	-	1,144,616	1,144,616
Net income (loss)	-	-	-	-	15,869,013	15,869,013	(58,036)	15,810,977
Balance, September 30, 2010	87,898,305	61,070,233	8,527,261	14,690	(22,435,265)	47,176,919	6,144,776	53,321,695

Strathmore Minerals Corp.

Consolidated statements of cash flows
(Unaudited - prepared by management)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Operating activities				
Net Income (loss) from continuing operations	(124,765)	(909,348)	1,613,159	(2,909,283)
Items not affecting cash:				
Amortization	62,448	188,451	181,871	349,757
Realized gain on short-term investments	-	-	(20,202)	-
Unrealized gain on short-term investments	-	(107,745)	-	(107,745)
Stock-based compensation	185,779	346,994	751,211	1,053,283
Gain on disposal of equipment	-	-	-	(830)
Gain on disposition of mineral property	-	(25,269)	-	(25,269)
Mineral property write-down (Note 5)	-	-	2,438	-
Changes in non-cash working capital items:				
Decrease in receivables	(58,426)	(67)	(34,176)	(51,386)
Increase in short-term investments	(796,105)	-	(9,878,171)	-
Decrease (increase) in prepaid expenses	10,869	12,185	(147,000)	15,184
Increase (decrease) in accounts payable and accrued liabilities	(339,332)	165,915	(84,530)	51,178
Decrease in income taxes payable	(246,379)	-	(4,350,897)	-
Increase (decrease) in deposit on sale proceeds	-	268,050	(261,650)	268,050
Cash used in continuing operations	(1,305,911)	(60,834)	(12,227,947)	(1,357,061)
Investing activities				
Equipment purchased	-	-	(50,459)	(1,948)
Proceeds on disposition of equipment	-	-	-	7,093
Mineral property interests (Note 5)	(1,971,024)	(938,498)	(3,105,869)	(2,410,782)
Recoveries on mineral property interests	-	152,303	-	479,981
Cash used in continuing investing activities	(1,971,024)	(786,195)	(3,156,328)	(1,925,656)
Financing activity				
Net proceeds from the issuance of common shares and share units	41,000	-	7,945,076	-
Cash provided by continuing financing activities	41,000	-	7,945,076	-
Net decrease in cash and cash equivalents for continuing operations	(3,235,935)	(847,029)	(7,439,199)	(3,282,717)
Net increase in cash and cash equivalents for discontinued operations	(1,572,597)	-	15,748,463	-
Cash and cash equivalents, beginning of period	14,283,472	5,859,682	1,165,676	8,295,370
Cash and cash equivalents, end of period	9,474,940	5,012,653	9,474,940	5,012,653

Supplemental disclosure with respect to cash flows (Note 7)

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

1. Nature and continuance of operations

Strathmore Minerals Corp. (the "Company") is organized under the laws of the Province of British Columbia and is engaged in the acquisition, exploration, and development of uranium mineral properties.

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, including 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 on a going concern basis, which contemplates that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

2. Basis of presentation

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles on a basis consistent with those disclosed in the most recent audited annual financial statements. 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.

(a) *Accounting policies implemented effective January 1, 2010*

- (i) CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations ("Section 1582"), 1601 – Consolidated Financial Statements ("Section 1601") and 1602 – Non-Controlling Interests ("Section 1602") which replace CICA Handbook Sections 1581 – Business Combinations ("Section 1581") and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is required for the Company's business combinations with acquisition dates on or after January 1, 2011. Sections 1601 and 1602 are required for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Earlier adoption of these sections is permitted which requires that all three sections be adopted at the same time. The Company early adopted these sections effective January 1, 2010.

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

(a) *Accounting policies implemented effective January 1, 2010 (continued)*

(i) CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests (continued)

Under Section 1582, business combinations are accounted for under the “acquisition method”, compared to the “purchase method” previously required by Section 1581. The significant changes that result from applying the acquisition method of Section 1582 include: (i) the definition of a business is broadened to include development stage entities, and therefore more acquisitions are accounted for as business combinations rather than asset acquisitions; (ii) the measurement date for equity interests issued by the acquirer is the acquisition date instead of a few days before and after terms are agreed to and announced, which may significantly change the amount recorded for the acquired business if share prices differ from the agreement and announcement date to the acquisition date; (iii) all future adjustments to income tax estimates are recorded as income tax expense or recovery, whereas under Section 1581, certain changes in income tax estimates were recorded to goodwill; (iv) acquisition-related costs, other than costs to issue debt or equity securities, of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred, whereas under Section 1581, these costs were capitalized as part of the cost of the business combination; (v) the assets acquired and liabilities assumed are recorded at 100% of fair value even if less than 100% is obtained, whereas under Section 1581, only the controlling interest’s portion was recorded at fair value; and (vi) non-controlling interests are recorded at their proportionate share of fair value of identifiable net assets acquired, whereas under Section 1581, non-controlling interests were recorded at their share of carrying value of net assets acquired.

Under Section 1602, non-controlling interest are measured at 100% of the fair value of identifiable net assets acquired. For presentation and disclosure purposes, non-controlling interests are classified as a separate component of equity. In addition, Section 1602 changes the manner in which increases and decreases in ownership percentages are accounted for. Changes in ownership percentages are recorded as equity transactions and no gain or loss is recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Under Section 1602, accumulated losses attributable to non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interests could have a negative carrying amount. The provisions of Section 1602 have been applied prospectively with the exception of the presentation and disclosure provisions, which have been applied for all prior periods presented in the financial statements. The presentation and disclosure provisions resulted in the classification of non-controlling interests as a separate component of equity on the balance sheet amounting to \$6,144,776 as at September 30, 2010 (December 31, 2009 - \$5,058,196).

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

(b) *Recent accounting pronouncements*

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation's reporting no later than in the first quarter of 2011 with restatement of comparable information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency and hedging activities, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion. The Company has completed its IFRS diagnostic plan and is currently preparing its IFRS conversion plan which will outline the steps required to complete for the transition to IFRS.

3. Short-term investments

Short-term investments have been classified as "held for trading" and are comprised of the following:

	Fair value September 30, 2010	Fair value December 31, 2009
	\$	\$
Guaranteed investment certificates	12,499,995	2,665,000
Common shares of Peninsula Minerals Limited ("Peninsula")	-	201,990
Common shares of Bayswater Uranium Corporation ("Bayswater")	2,609,456	-
	15,109,451	2,866,990

The Company has determined the fair value of its common share short-term investments based on quoted market prices. During the first quarter of 2010, the Company sold its Peninsula shares and recorded \$20,202 gain on disposal.

Strathmore Minerals Corp.

Notes to the consolidated financial statements
September 30, 2010
(Unaudited – prepared by management)

4. Investments

Investments are recorded at fair value and are comprised of the following:

	September 30, 2010	December 31, 2009
	\$	\$
Yellowcake Mining Inc. ("Yellowcake")	159,410	81,010
American Uranium Corporation ("American Uranium")	13,430	13,650
	172,840	94,660

The Company views these securities as being thinly traded. Significant observable inputs other than quoted prices are used to determine fair value. Fair value is determined by applying discount rates observed from the issuer's most recent equity financing.

During the period ended September 30, 2010, the Company recorded a \$78,180 (2009 – \$81,950) gain in the statement of comprehensive income (loss).

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

5. Mineral property interests

9 Months Ended September 30, 2010	Roca Honda Property	Nose Rock/ Crown Point Property	Marquez Property	Church Rock Property	Gas Hills Properties	Pine Tree/ Reno Creek Property	Sky/Cedar Rim Property	Other Properties	Total property costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs									
Balance, beginning of period	498,970	652,022	1,367,454	291,195	871,789	-	-	542,216	4,223,646
Additions	-	-	258,775	-	567,794	129,930	-	10,606	967,105
Recoveries	-	-	-	-	-	(129,930)	-	-	(129,930)
Balance, end of period	498,970	652,022	1,626,229	291,195	1,439,583	-	-	552,822	5,060,821
Exploration costs									
Balance, beginning of period	12,041,055	268,827	67,115	2,274,730	2,819,908	-	995,586	339,769	18,806,990
Incurred during the period									
Administration	130,057	-	5,966	-	6,525	33,859	24	6,227	182,658
Drilling	964,323	-	-	-	67,340	-	8,432	-	1,040,095
Engineering	388,378	-	-	-	66,466	-	-	1,490	456,334
Feasibility Study	324,530	-	-	-	-	-	-	-	324,530
Geology & Geophysics	75,455	1,124	9,311	-	74,591	193	-	130	160,804
Property maintenance fees	13,722	21,235	848	11,942	256,060	504	7,371	132,975	444,657
Permitting/Regulatory	774,689	-	-	-	120,146	6,224	195	357	901,611
Personnel time	44,428	-	-	-	-	-	-	-	44,428
Quality Assurance	866	-	-	-	-	-	-	-	866
Travel	-	-	-	-	-	9,980	-	-	9,980
	2,716,448	22,359	16,125	11,942	591,128	50,760	16,022	141,179	3,565,963
Cost recoveries	-	-	-	-	-	(50,760)	-	-	(50,760)
Write-down	-	-	-	-	-	-	-	(2,438)	(2,438)
Balance, end of period	14,757,503	291,186	83,240	2,286,672	3,411,036	-	1,011,608	478,510	22,319,755
Total costs	15,256,473	943,208	1,709,469	2,577,867	4,850,619	-	1,011,608	1,031,332	27,380,576

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

5. Mineral property interests (continued)

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 using accepted industry standards.

During the nine month period ending September 30, 2010, the Company's impairment analysis resulted in the write down to fair value of a property. The analysis took into account exploration results to date, and the Company's reduced exploration plans that will focus on the properties which management believes are most likely to provide positive results in a shorter timeframe. Based on the Company's analysis, write-down was recorded during the period totaling \$2,438.

The Company's assessment of the carrying value of mineral properties and related exploration expenditures is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair values were determined using a variety of valuation methods, the selection of which was based on which was considered most applicable to each property. The assessment of the carrying value and determination of these fair values is subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differed from the estimates and assumptions used and/or if alternative valuation methods were applied.

(a) *New Mexico properties, USA*

(i) Roca Honda Property

On July 26, 2007, the Company completed an agreement with Sumitomo Corp. ("Sumitomo") of Japan to develop the Roca Honda uranium project located in New Mexico. The Company has transferred its entire interest in the Roca Honda Property to Roca Honda Resources, LLC, a subsidiary in which the Company owns 60% and Sumitomo owns 40%. The Company and Sumitomo are committed to fund a US\$27,215,000 feasibility study, in proportion to their respective ownership interests by the end of fiscal 2011. Following completion of the feasibility study, should a positive decision be made to proceed, Sumitomo will contribute a pre-determined cash contribution for development of the Roca Honda mine. During fiscal 2007, the Company received US\$1,000,000 from Sumitomo towards completing the agreement.

The Company had acquired its original 100% interest in the Roca Honda claims during prior years by paying \$227,970 and issuing 200,000 common shares of the Company valued at \$271,000. Certain claims are subject to a 1% royalty.

The Company has consolidated Roca Honda Resources, LLC into its operations and recorded a non-controlling interest of \$6,144,776 (2009 - \$5,058,196) to reflect Sumitomo's 40% interest.

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

5. Mineral property interests (continued)

(a) *New Mexico properties, USA (continued)*

(ii) Nose Rock/Crown Point Property

The Company had acquired its original 100% interest in Nose Rock/Crown Point property during prior years by paying \$206,991 and issuing 300,000 common shares valued at \$702,000.

(iii) Marquez Property

On September 5, 2007, the Company entered into a mineral lease agreement on the Marquez property located in New Mexico, for a period of ten years, with the option to extend the lease for an additional five years. The Company has paid US\$750,000 and is required to make annual payments of US\$250,000 during the initial ten year term. To extend the lease for an additional five years, the Company is required to pay US\$750,000 and make annual payments of US\$300,000 thereafter. To extend the lease beyond fifteen years, the Company is required to pay an additional US\$750,000.

The property is subject to an 8% net proceeds production royalty. Should commercial production not commence by September, 2015, the Company will be required to pay additional annual minimum advance royalty payments of US\$250,000 which may be recovered from future production royalties.

(v) Church Rock Property

The Company had acquired its original 100% interest in the Church Rock property during prior years by paying \$153,655 and issuing 100,000 common shares valued at \$135,500.

(b) *Wyoming properties, USA*

(i) Gas Hills Properties

(1) Jeep Property

The Company had acquired, by staking, its original 100% interest in the Jeep property during prior years.

(2) Rock Hill/Red Horse Property

On October 31, 2007 the Company acquired 100% of Rock Hill mineral claims by paying US\$770,960 and reimbursing the vendor for staking fees of \$46,500. The Company also acquired data related to this property by issuing 25,000 common shares valued at \$62,500. The property is subject to a 5% net proceeds royalty.

(3) Other Gas Hills Properties

The Company had acquired, by staking, its original 100% interest in certain claims located in the Gas Hills Region of Wyoming, USA during prior years.

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

5. Mineral property interests (continued)

(b) Wyoming properties, USA (continued)

(ii) Juniper Ridge Property

The Company had acquired its original 100% interest in the Juniper Ridge property during prior years by issuing 200,000 common shares valued at \$430,000 and incurring additional costs of \$58,158.

(iii) Pine Tree/Reno Creek Property – Disposition of Mineral Property Interests

On August 20, 2007, the Company granted American Uranium an option to acquire a 60% interest in the Pine Tree/Reno Creek property. Total expenditures of \$US 33 million were required to be spent by American Uranium to earn a 60% interest. On April 7, 2010, the Company and American Uranium mutually agreed to terminate the option agreement. Minimum funding requirements were not met and American Uranium retains no interest in the property.

On April 7, 2010, the Company closed an agreement to sell Pine Tree-Reno Creek to Bayswater Uranium Corp (“Bayswater”). The agreement includes a deposit of \$261,650 for total cash of \$17,501,750, plus 4,422,807 common shares of Bayswater valued at \$2,344,088 for total proceeds of \$19,845,838. In addition, the Company retains a 5% gross production royalty which can be repurchased in whole or in part by Bayswater at any time for US \$2 million (US \$1 million cash and US \$1 million in common shares of Bayswater) per 1% royalty reduction.

The Company has no cost basis in the property as all expenditures were funded by American Uranium. Accordingly, the Company has recognized a \$19,845,838 gain on disposition less taxes of \$5,648,020 for a net gain of \$14,197,818. As of September 30, 2010, the Company has previously unrecognized tax assets and has recorded an income tax recovery of \$4,350,897 to offset taxes payable.

(iv) Sky/Cedar Rim Property

The Company had acquired its original 100% interest in the Sky/Cedar Rim property during prior years by issuing 50,000 common shares valued at \$86,250 and incurring additional costs of \$13,029.

(v) Gas Hills Mill Site Property

On December 10, 2007, the Company entered into an option agreement to acquire the Gas Hills Mill Site property located in Wyoming and the related Nuclear Regulatory Commission (“NRC”) license. The Company paid US\$10,000 for a one year option to acquire the property. On December 10, 2008, the Company negotiated a one year extension to the agreement and paid an additional US\$10,000. The Company is required to pay an additional amount to complete the acquisition.

Strathmore Minerals Corp.

Notes to the consolidated financial statements

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5. Mineral property interests (continued)

(c) Other properties

(i) Other New Mexico properties

The Company had acquired its original 100% interest in certain claims located in New Mexico, USA, during prior years by paying \$91,651.

(ii) Other Wyoming properties

The Company had acquired its original 100% interest in the certain claims located in Wyoming, USA, during prior years by paying \$87,560, incurring additional costs of \$90,509 and issuing 550,000 common shares valued at \$986,250.

On August 24, 2009 the Company entered into a definitive agreement to sell seven state uranium mineral leases, with a cost of \$150,816 to a subsidiary of Peninsula Minerals Limited ("Peninsula"). The leases are located near Oshoto, Wyoming.

Strathmore has received 5,000,000 common shares of Peninsula valued at \$176,085 for the leases (Note 3). In addition, Strathmore will retain a 4% gross royalty. Peninsula will have the option to purchase the Strathmore royalty in part or in whole for a period of 3 years.

6. Capital stock and contributed surplus

The Company has authorized an unlimited number of common shares, without par value.

(a) Private placement

On January 20, 2010, the Company completed a non-brokered private placement. The Company issued 15,243,727 common share units at a price of \$0.55 per unit for gross proceeds of \$8,384,050. Each common share unit consists of one common share and one half of one common share purchase warrant that entitles the holder to purchase one common share of the Company for each whole warrant at a price of \$0.75 for a period of 2 years. The Company paid agents' commissions of \$466,380 and issued 847,964 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.75 for a period of 2 years. The broker warrants were valued at \$389,509 using the Black-Scholes option pricing model with a volatility of 124%, risk free interest rate of 1.20%, expected life of 2 years, and a dividend rate of 0%. All warrants vested immediately on the date of grant.

(b) 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 any applicable discount. The Company's practice has been to set the exercise price at or above market price. The options can be granted for a maximum term of five years with vesting provisions determined by the Board of Directors.

Strathmore Minerals Corp.

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6. Capital stock and contributed surplus (continued)

(b) Stock options and warrants (continued)

Stock option and share purchase warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Outstanding, December 31, 2008	5,907,000	0.54	-	-
Granted	100,000	0.55	-	-
Cancelled/forfeited	(135,000)	0.41	-	-
Outstanding, December 31, 2009	5,872,000	0.54	-	-
Granted	1,695,000	0.65	8,469,828	0.75
Excercised	(195,667)	0.41	-	-
Cancelled/forfeited	(136,333)	0.50	-	-
Outstanding, September 30, 2010	7,235,000	0.57	8,469,828	0.75

The following tables summarize information about outstanding stock options and warrants at September 30, 2010:

Stock Options:

Number outstanding	Exercise price	Number exercisable	Expiry date
	\$		
100,000	0.55	75,000	October 5, 2011
400,000	2.25	400,000	January 2, 2013
35,000	0.70	35,000	April 23, 2013
150,000	0.60	120,000	September 26, 2013
4,940,000	0.41	4,110,834	November 10, 2013
1,610,000	0.65	268,334	February 17, 2015
7,235,000		5,009,168	

Warrants:

	Number outstanding	Exercise price	Number exercisable	Expiry date
		\$		
Broker warrants	847,964	0.75	847,964	January 20, 2011
Warrants	7,621,864	0.75	7,621,864	January 20, 2011
	8,469,828		8,469,828	

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6. Capital stock and contributed surplus (continued)

(c) Stock-based compensation

During the nine month period ended September 30, 2010, the Company granted 1,695,000 (2009 – nil) options to employees, consultants and directors. The stock options are recorded at fair value in the statement of operations using the Black-Scholes option pricing model. Total stock-based compensation recognized in the statement of operations during the nine month period ended September 30, 2010, was \$751,211 (2009 – \$1,053,283) as a result of options granted and vested. This amount was also recorded as contributed surplus on the balance sheet. The weighted average fair value of options granted was \$0.65 (2009 - \$nil) per option.

During the nine month period ended September 30, 2010 the following assumptions were used for the valuation of stock options:

September 30	2010	2009
Risk free interest rate	2.40%	3.35%
Expected life	4.7 years	4.4 years
Annualized volatility	113%	84%
Dividend rate	0.00%	0.00%

7. Supplemental disclosure with respect to cash flows

	September 30, 2010	December 31, 2009
	\$	\$
Cash and cash equivalents		
Cash	1,819,880	949,326
Term deposits	7,655,060	216,350
	9,474,940	1,165,676

During the period ended September 30, 2010 there were \$1,572,597 (September 30, 2009-\$Nil) cash payments for income taxes.

Significant non-cash transactions during the period ended September 30, 2010 include:

- incurring mineral property expenditures of \$270,749 through accounts payable and accrued liabilities.
- Reclassifying \$389,509 from share issuance cost to contributed surplus for broker warrants.
- Recognizing \$41,072 of contributed surplus on exercised options into common shares.

Significant non-cash transactions during the period ended September 30, 2009 include:

- incurring mineral property expenditures of \$223,260 through accounts payable and accrued liabilities;

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8. Related party transactions

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
			\$	\$
Consulting fees to directors	-	2,611	-	5,577
Consulting fees to officers and companies controlled by officers	164,974	133,324	795,936	431,237
Directors fees	18,885	25,200	90,372	73,200
	183,859	161,135	886,308	510,014

Included in accounts payable at September 30, 2010 is \$3,000 (December 31, 2009 - \$Nil) for consulting and directors fees to directors, officers and companies controlled by directors and officers.

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.

9. 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 period ended September 30, 2010 and year ended December 31, 2009 to relate to this segment.

Assets by geographic area are as follows:

	September 30, 2010		December 31, 2009	
	Canada	United States	Canada	United States
	\$	\$	\$	\$
Property and equipment	251,815	1,127,533	310,437	1,200,322
Mineral property interests	-	27,380,576	-	23,030,636
	251,815	28,508,109	310,437	24,230,958

10. Contingencies

The Company has received two claims for services allegedly performed on its mineral properties. In aggregate these claims amount to \$290,616. The parties have commenced legal proceedings against the Company. The Company unequivocally rejects these claims and is actively defending itself.

On September 1, 2010, the Company received a general release from one of the two claims in the amount of \$108,000. Under the terms of the settlement no amounts were payable by the Company.

Strathmore Minerals Corp.

Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

10. Contingencies (continued)

The remaining claim for \$182,616 is still outstanding. No amount has been accrued in the financial statements in respect to this claim as the outcome is not determinable.

11. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing or the sale of non-core properties to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the statements of shareholder equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash, cash equivalents, and short-term investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets, sale of non-core properties, and joint ventures to fund continued exploration and development of its mineral properties.

12. Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, short-term investments, investments, accounts payable and accrued liabilities. For cash and current receivables short-term investments, accounts payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The fair value of investments represents significant observable inputs other than quoted prices.

Cash and short-term investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded on the statement of operations.

Investments are designated as available-for-sale and carried at fair value, with the unrealized gain or loss recorded in shareholders' equity as a component of other comprehensive income. These amounts will be reclassified from accumulated other comprehensive income to net loss when they are sold or when an other than temporary impairment is recognized.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

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Notes to the consolidated financial statements

September 30, 2010

(Unaudited – prepared by management)

12. Financial instruments and risk management (continued)

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluates credit risk on an ongoing basis, including evaluation of counterparty credit rating, monitoring activities related to trade and other receivables and counterparty concentrations measured by amount and percentage.

The primary sources of credit risk for the Company arise from the following financial assets: (1) cash and cash equivalents held with major financial institutions; (2) short-term investments and (3) amounts receivable. The Company has not had any credit losses in the past, nor does it expect to have any credit losses in the future. At September 30, 2010, the Company has no financial assets that are past due or impaired due to credit risk defaults.

The Company's maximum exposure to credit risk at the reporting date is as follows:

	September 30, 2010	December 31, 2009
	\$	\$
Cash and cash equivalents	9,474,940	1,165,676
Short-term investments	15,109,451	2,866,990
Income taxes receivable	275,474	-
Amounts receivable	112,272	78,096
	24,972,137	4,110,762

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents and short-term investment balances to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts payable and accrued liabilities, arose as a result of exploration of its mineral property interests and other corporate expenses. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and do not generally bear interest.

Strathmore Minerals Corp.

Notes to the consolidated financial statements
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12. Financial instruments and risk management (continued)

(b) Liquidity risk (continued)

The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

	September 30, 2010	December 31, 2009
	\$	\$
Accounts payable and accrued liabilities	821,420	984,747
	821,420	984,747

Typical repayment terms for the Company do not exceed 90 days.

(c) Market risk

Market risk is the risk that the fair value for assets classified as held-for-trading and available-for-sale or future cash flows for assets or liabilities considered to be held-to-maturity, other financial liabilities, and loans or receivables of a financial instrument will fluctuate because of changes in market conditions. The Company evaluates market risk on an ongoing basis and has established policies and procedures for mitigating its exposure to foreign exchange fluctuations. The Company is not exposed to interest rate risk, as it does not hold debt balances and is not charged interest on its accounts payable balances.

(d) Foreign exchange risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the functional currency of the Company is Canadian dollars, the Company also conducts business in United States dollars. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Exchange rate fluctuations may affect the costs that the Company incurs in its operations, as the Company's costs are incurred primarily in US dollars. The appreciation of the US dollar against the Canadian dollar can increase the costs of operations and capital expenditures. The Company maintains its cash balances primarily in Canadian dollars and exchanges currency to meet its obligations on an as-needed basis, thereby reducing the exchange risk on cash balances.

The Company is exposed to currency risk through the following Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars:

Strathmore Minerals Corp.

Notes to the consolidated financial statements
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12. Financial instruments and risk management (continued)

(d) Foreign exchange risk (continued)

Amounts in CAD\$	September 30, 2010		December 31, 2009	
	AUD\$	US\$	AUD\$	US\$
Cash and cash equivalents	-	9,162,217	-	970,916
Short-term investments	-	-	201,990	-
Amounts receivable	-	1,634	-	11,082
Investments	-	172,840	-	94,660
Income taxes receivable	-	275,474	-	-
Accounts payable and accrued liabilities	-	(798,605)	-	(947,983)
Deposit on sale proceeds	-	-	-	(261,650)
	-	8,813,560	201,990	(132,975)

Based on the above net exposures at September 30, 2010, a 10% depreciation or appreciation in the US dollar against the Canadian dollar would result in a \$881,356 (December 31, 2009 - \$13,298) increase or decrease in the Company's net loss. Similarly, a 10% depreciation or appreciation in the AUD dollar against the Canadian dollar would result in a \$Nil (December 31, 2009 - \$20,199) increase or decrease in the Company's net loss.

13. Subsequent event

Subsequent to September 30, 2010, the Company entered into an agreement with Crosshair Exploration & Mining Corp ("Crosshair") for the sale of its Juniper Ridge property. To purchase the property, Crosshair will pay the Company US\$7,200,000 over four years in cash and common shares of Crosshair. The purchase price will increase or decrease by \$1.30 for each pound of uranium above or below 5,000,000 pounds as demonstrated by National Instrument 43-101 technical report. Ownership will be retained until all payments are received. A 2% gross production royalty is also retained by the Company and can be purchased by Crosshair for an additional US\$3,000,000. The sale is subject to regulatory approval.