

Condensed interim consolidated financial statements of

**Strathmore Minerals Corp.**

March 31, 2011

(unaudited)

## Notice

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the period ended March 31, 2011.

# Strathmore Minerals Corp.

March 31, 2011

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# Strathmore Minerals Corp.

Condensed interim consolidated statements of financial position  
(Unaudited)  
(expressed in Canadian dollars)

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
	\$	\$	\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents (Note 7)	18,992,145	21,087,388	1,218,006
Short-term investments (Note 4)	3,420,597	3,371,598	2,961,650
Amounts receivable	287,841	196,438	78,096
Income taxes receivable	1,475,430	1,510,045	-
Prepaid expenses	49,880	194,541	70,283
	<b>24,225,893</b>	26,360,010	4,328,035
Property and equipment	1,185,452	1,077,094	1,363,123
Mineral property interests (Note 5)	28,408,559	27,149,083	22,561,293
<b>Total assets</b>	<b>53,819,904</b>	54,586,187	28,252,451
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	2,088,732	1,011,804	984,747
Deposit on sale proceeds (Note 5(b)(ii))	-	-	261,650
	<b>2,088,732</b>	1,011,804	1,246,397
Deferred income tax liabilities	790,708	1,311,928	-
<b>Total liabilities</b>	<b>2,879,440</b>	2,323,732	1,246,397
<b>Shareholders' equity</b>			
Share capital	62,740,252	62,069,250	53,473,594
Contributed surplus	8,948,575	8,768,916	7,605,626
Deficit	(25,691,096)	(23,835,529)	(39,052,317)
Foreign currency translation reserve	(1,654,512)	(975,486)	-
Attributable to Shareholders of:			
Strathmore Minerals Corp.	44,343,219	46,027,151	22,026,903
Non-controlling interests (Note 5(a)(i))	6,597,245	6,235,304	4,979,151
<b>Total shareholders' equity</b>	<b>50,940,464</b>	52,262,455	27,006,054
<b>Total liabilities and shareholders' equity</b>	<b>53,819,904</b>	54,586,187	28,252,451

Contingency (Note 10)  
Subsequent event (Note 12)

# Strathmore Minerals Corp.

Condensed interim consolidated statements of income (loss)

(Unaudited)

(expressed in Canadian dollars)

	Three months ended March 31, 2011	Three months ended March 31, 2010
	\$	\$
<b>General and administrative expenses</b>		
Amortization	75,099	78,453
Consulting fees	281,121	602,844
Corporate development and investor relations	204,638	102,860
Office and administration	142,991	120,504
Professional fees	200,285	59,963
Share-based payments (Note 6(c))	348,136	340,316
Transfer agent and regulatory fees	199,153	14,435
Wages and benefits	160,541	219,782
<b>Loss before other items</b>	<b>(1,611,964)</b>	<b>(1,539,157)</b>
<b>Other items</b>		
Exploration management fee income	-	16,436
Foreign exchange gain (loss)	(976)	8,177
Interest and miscellaneous income	55,677	22,436
Realized gain on short-term investments (Note 4)	445,474	20,202
Unrealized gain (loss) on short-term investments (Note 4)	(1,290,996)	39,000
Mineral property write-down (Note 5)	-	(2,438)
	<b>(790,821)</b>	<b>103,813</b>
<b>Net loss for the period before income taxes</b>	<b>(2,402,785)</b>	<b>(1,435,344)</b>
Deferred income taxes recovery	521,220	-
<b>Net loss for the period</b>	<b>(1,881,565)</b>	<b>(1,435,344)</b>
Attributable to:		
Shareholders of Strathmore Minerals Corp.	(1,855,567)	(1,418,231)
Non-controlling interests	(25,998)	(17,113)
<b>Net loss for the period</b>	<b>(1,881,565)</b>	<b>(1,435,344)</b>
<b>Basic and diluted loss per common share:</b>		
Basic and diluted	(0.02)	(0.02)
<b>Weighted average number of of common shares outstanding:</b>		
Basic and diluted	89,329,158	84,440,803

# Strathmore Minerals Corp.

Condensed interim consolidated statements of comprehensive income (loss)

(Unaudited)

(expressed in Canadian dollars)

	<b>Three months ended March 31, 2011</b>	Three months ended March 31, 2010
	\$	\$
<b>Net loss for the period</b>	<b>(1,881,565)</b>	(1,435,344)
<b>Other comprehensive loss</b>		
Foreign currency translation adjustment	<b>(679,026)</b>	(573,942)
<b>Comprehensive loss for the period</b>	<b>(2,560,591)</b>	(2,009,286)
Attributable to Shareholders of:		
Strathmore Minerals Corp.	<b>(2,534,593)</b>	(1,992,173)
Non-controlling interests	<b>(25,998)</b>	(17,113)
<b>Comprehensive loss for the period</b>	<b>(2,560,591)</b>	(2,009,286)

# Strathmore Minerals Corp.

Condensed interim consolidated statements of changes in equity  
(Unaudited)  
(expressed in Canadian dollars)

	Common shares (Note 6)		Contributed surplus	Foreign currency translation reserve	(Deficit)	Attributable to shareholders of:		Total
	Shares	Amount				Strathmore Minerals Corp.	Non-controlling interests	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, January 1, 2010</b>	72,458,911	53,473,594	7,605,626	-	(39,052,317)	22,026,903	4,979,151	27,006,054
Foreign currency translation adjustment	-	-	-	(573,942)	-	(573,942)	-	(573,942)
Share-based payments (Note 6(c))	-	-	340,317	-	-	340,317	-	340,317
Non-brokered private placement (Note 6(a))	15,243,727	8,384,050	-	-	-	8,384,050	-	8,384,050
Finders' fees (Note 6(a))	-	(908,704)	389,509	-	-	(519,195)	-	(519,195)
Exercise of options	36,667	20,908	(5,876)	-	-	15,032	-	15,032
Contributions to Roca Honda	-	-	-	-	-	-	14,533	14,533
<b>Net loss</b>	-	-	-	-	(1,418,231)	(1,418,231)	-	(1,418,231)
<b>Balance, March 31, 2010</b>	87,739,305	60,969,848	8,329,576	(573,942)	(40,470,548)	28,254,934	4,993,684	33,248,618
Exercise of options	484,000	347,059	(134,622)	-	-	212,437	-	212,437
Exercise of warrants	718,964	752,343	(213,120)	-	-	539,223	-	539,223
Foreign currency translation adjustment	-	-	-	(401,544)	-	(401,544)	-	(401,544)
Share-based payments (Note 6(c))	-	-	787,082	-	-	787,082	-	787,082
Contributions to Roca Honda	-	-	-	-	-	-	1,327,462	1,327,462
<b>Net income</b>	-	-	-	-	16,635,019	16,635,019	(85,842)	16,549,177
<b>Balance, December 31, 2010</b>	88,942,269	62,069,250	8,768,916	(975,486)	(23,835,529)	46,027,151	6,235,304	52,262,455
Exercise of options	740,000	477,877	(168,477)	-	-	309,400	-	309,400
Exercise of warrants	257,500	193,125	-	-	-	193,125	-	193,125
Foreign currency translation adjustment	-	-	-	(679,026)	-	(679,026)	-	(679,026)
Share-based payments (Note 6(c))	-	-	348,136	-	-	348,136	-	348,136
Contributions to Roca Honda	-	-	-	-	-	-	387,939	387,939
<b>Net loss</b>	-	-	-	-	(1,855,567)	(1,855,567)	(25,998)	(1,881,565)
<b>Balance, March 31, 2011</b>	89,939,769	62,740,252	8,948,575	(1,654,512)	(25,691,096)	44,343,219	6,597,245	50,940,464

# Strathmore Minerals Corp.

Condensed interim consolidated statements of cash flows

(Unaudited)

(expressed in Canadian dollars)

	<b>Three months ended March 31, 2011</b>	Three months ended March 31, 2010
	\$	\$
<b>Operating activities</b>		
Net loss for the period from continuing operations	<b>(1,881,565)</b>	(1,435,344)
Items not affecting cash:		
Amortization	<b>75,099</b>	78,453
Interest income	<b>(54,973)</b>	(14,193)
Realized gain on short-term investments	<b>(445,474)</b>	(20,202)
Urealized gain on short-term investments	<b>1,290,996</b>	(39,000)
Stock-based compensation	<b>348,136</b>	340,316
Mineral property write-down	<b>-</b>	2,438
Foreign exchange gain (loss)	<b>4,541</b>	(5,692)
Deferred income tax recovery	<b>(521,220)</b>	-
Changes in non-cash working capital items (Note 7)	<b>192,303</b>	3,143,990
Cash generated from (utilized in) operations	<b>(992,157)</b>	2,050,766
Interest received	<b>6,050</b>	3,791
Net cash provided by (used in) operating activities	<b>(986,107)</b>	2,054,557
<b>Investing activities</b>		
Purchases of equipment	<b>(6,265)</b>	(48,178)
Development of mineral property interests	<b>(1,605,397)</b>	(485,194)
Cash used in continuing investing activities	<b>(1,611,662)</b>	(533,372)
<b>Financing activities</b>		
Proceeds from the issuance of common shares and share units	<b>-</b>	8,384,050
Share issuance costs	<b>-</b>	(519,195)
Exercise of stock options	<b>309,400</b>	15,033
Exercise of warrants	<b>193,126</b>	-
Cash provided by continuing financing activities	<b>502,526</b>	7,879,888
<b>Net increase (decrease) in cash and cash equivalents from continuing operations</b>	<b>(2,095,243)</b>	9,401,073
<b>Discontinued operations:</b>		
<b>Investing activities</b>		
Mineral property expenditures in discontinued operations	<b>-</b>	(164,360)
Cash used in discontinued operations	<b>-</b>	(164,360)
<b>Net increase (decrease) in cash and cash equivalents from continuing and discontinued operations</b>	<b>(2,095,243)</b>	9,236,713
Cash and cash equivalents, beginning of period	<b>21,087,388</b>	1,218,006
<b>Cash and cash equivalents, end of period</b>	<b>18,992,145</b>	10,454,719

Supplemental disclosure with respect to cash flows (Note 7)

# Strathmore Minerals Corp.

Notes to the condensed interim consolidated financial statements

March 31, 2011 and 2010

(unaudited)

(expressed in Canadian dollars)

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## 1. Nature and continuance of operations

Strathmore Minerals Corp. (the "Company") is a publically listed company incorporated in Canada under the laws of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange. The registered office of the Company is located at 700 – 595 Howe Street, Vancouver, British Columbia, V6C 2T5. The principal address and records office of the Company is located at 700 – 1620 Dickson Avenue, Kelowna, British Columbia, V1Y 9Y2.

The Company is engaged in the acquisition, exploration, and development of uranium mineral properties. The Company is in the process of exploring and developing 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, obtaining the necessary permits to operate a mine and upon future profitable production, or alternatively, upon cash generated from non-core property divestures.

## 2. Basis of preparation and first time adoption of international financial reporting standards

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As these condensed interim consolidated financial statements represent the Company's initial presentation of its interim results and financial position under IFRS, they have been prepared in accordance with the accounting policies the Company expects to adopt in its first IFRS consolidated annual financial statements for the year ending December 31, 2011. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below. These condensed interim consolidated financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing these condensed interim consolidated financial statements, management has amended certain accounting and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments as required by IFRS 1, *First-Time Adoption of IFRS*. Certain information and footnote disclosures which are considered material to the understanding of the Company's condensed interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in note 13 along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on

# Strathmore Minerals Corp.

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(unaudited)

(expressed in Canadian dollars)

the consolidated statements of financial position, changes in equity, income (loss), comprehensive income (loss) and cash flows.

These consolidated interim 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. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents and short-term investments (as well as no debt obligations outside of normal course accounts payable and accrued liabilities) to continue operating at current levels for the ensuing twelve months.

The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and have not been audited. These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at fair value. These financial statements are presented in Canadian dollars.

### 3. Significant accounting policies

The Company's principal accounting policies under IFRS are outlined below:

#### (a) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and all of the following subsidiaries incorporated in the US. Subsidiaries are companies controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of a company so as to obtain benefits from the company's activities. Generally, the Company has a shareholding of more than 50% of the voting rights in its subsidiaries. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

	2011	2010
Strathmore Resources (US) Ltd.	100%	100%
Roca Honda Resources LLC	60%	60%
AUC LLC	0%	100%

Significant inter-company balances and transactions are eliminated on consolidation.

#### (b) Use of estimates

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make accounting estimates and judgments that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amount of revenues and expenses during the period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates and judgments.

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(unaudited)

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Significant accounts that require estimates relate to the possible impairment of property and equipment and mineral property interests, the estimation of ore resources, the useful life of property and equipment, deferred income taxes, valuation of investments, valuation of share-based payments and warrants in private placements, and the valuation of decommissioning liabilities.

The most significant judgments relate to the determination of functional currencies for the Company and its subsidiaries and the recognition of deferred income tax assets and liabilities.

(c) *Business combinations*

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Company and its shareholders in the form of dividends, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs, have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets:

- (i) has begun planned principal activities;
- (ii) has employees, intellectual property and other inputs and processes that could be applied to those inputs;
- (iii) is pursuing a plan to produce outputs; and
- (iv) will be able to obtain access to customers that will purchase the outputs.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- (i) cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, excluding transaction costs which are expensed as incurred;
- (ii) identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- (iii) the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- (iv) if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the statements of income (loss);

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(v) contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the statements of income (loss) when the contingent consideration is a financial liability. Contingent consideration is not re-measured when it is an equity instrument. For acquisitions completed prior to January 1, 2010, subsequent changes in the fair value of contingent consideration are adjusted against goodwill; and

(vi) upon gaining control in a step acquisition, the existing ownership interest is re-measured to fair value through the statements of income (loss).

Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition. The excess of (i) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (ii) the non-controlling interests in the acquiree, over the acquisition-date fair value of net assets acquired, is recorded as goodwill.

(d) *Cash and cash equivalents*

Cash and cash equivalents include cash and those short-term, highly liquid investments with original maturities at the date purchase of three months or less or are readily convertible to cash.

(e) *Short-term investments*

Short-term investments consist of guaranteed investment certificates with an original term maturity of greater than three months and limit the Company's ability to immediately convert to cash and investments in entities over which the Company does not have control, joint control or significant influence and are held principally for the purpose of selling in the short-term. Short-term investments were designated by the Company on initial recognition at fair value through profit and loss as held-for-trading financial assets and are measured at fair market value. Gains and losses from changes in fair market value are recognized in the condensed interim consolidated statements of income (loss).

(f) *Property and equipment*

Property and equipment is recorded at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Amortization is calculated at rates to write off the cost of property and equipment less their estimated residual value, using the straight-line method over the following expected useful lives:

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Geological equipment	5 years
Vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Computer software	2 years
Leasehold improvements	5 years
Building	25 years

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An item of property and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the condensed interim consolidated statements of income (loss).

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

(g) *Mineral property interests and exploration, evaluation and development expenditures*

The Company records exploration, evaluation and development expenditures, which consist of costs attributable to the exploration and development of mineral property interests, at cost. All direct and indirect costs relating to the exploration, evaluation and development 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, or the mineral property interests are disposed of through sale or where management has determined there to be impairment. If a mineral property interest is abandoned, the mineral property interest and exploration, evaluation and development costs will be written off to operations in the period of abandonment. Interest on borrowings incurred to finance mining assets is capitalized until the asset is capable of carrying out its intended use.

Once reserves are established and management concludes that a future economic benefit is more likely than not to be realized, exploration, evaluation and development assets are tested for impairment and transferred to 'Mines under construction'. No amortization is charged during the exploration, evaluation and development phase. Management uses the following criteria for establishing the probability of future economic benefit:

- (i) Geology: there is sufficient geologic and economic certainty of converting a mineral interest property into a proven and probable reserve;
- (ii) Scoping or feasibility: there is a scoping study or preliminary feasibility study that demonstrates the additional reserves and resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recover the incremental costs of extraction and production;

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- (iii) Accessible facilities: the mining property can be processed economically at accessible mining and processing facilities where applicable;
- (iv) Life of mine plans: an overall life of mine plan and economic model to support the economic extraction of reserves and resources exists. A long-term life of mine plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body; and
- (v) Authorizations: operating permits and feasible environmental programs exist or are obtainable.

Upon transfer of exploration, evaluation and development costs into Mines under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within Mines under construction. Development expenditures is net of proceeds from all but the incidental sale of ore extracted during the development phase.

The Company follows the cost reduction method of accounting for the receipt of property options and similar payments. Cash and other property payments received from the Company's partners are credited to the respective property until all capitalized costs are recovered; thereafter, such payments are included in net income (loss). Exploration management fee income from mineral property option agreements are recorded in the consolidated statements of income (loss). The recorded costs of mineral property interests and exploration and development costs are based on cash paid and the value of share considerations issued for mineral property interest acquisitions and exploration and development 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.

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. Mineral property interests including exploration, evaluation and development expenditures are assessed for impairment only when facts and circumstances suggest that the carrying amounts of mineral property interests exceed their recoverable amounts. If any indication of impairment exists, an estimate of the mineral interest's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the mineral property interests and their value in use. The fair value less costs to sell and the value in use is determined for an individual mineral property interest, unless the mineral property interest does not generate cash inflows that are largely independent of those from other mineral property interests or groups of mineral property interests. If this is the case, the individual mineral property interests are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other mineral property interests or other groups of mineral property interests.

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If the carrying amount of the mineral property interest exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statements of income (loss) so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less costs to sell and value in use).

The Company's determination for impairment is also based on: (i) whether the exploration and development programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; (ii) whether exploration and development results to date are promising and whether additional exploration work is being planned in the foreseeable future; or (iii) whether remaining lease terms are sufficient to conduct necessary studies or exploration work.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the mineral property interest's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the mineral property interest is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the mineral property interest in prior years. Such reversal is recognized in the consolidated statements of income (loss).

(h) *Foreign currency translation*

The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each of the US subsidiaries and the parent company. The functional currency of each of the subsidiaries is the US dollar and the functional currency of the parent company is the Canadian dollar. These interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiaries and parent company are recognized in the consolidated statements of income (loss).

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated to Canadian dollars at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Additionally, foreign exchange gains and losses, related to certain intercompany loans that are permanent in nature, are included in foreign currency translation reserve.

(i) *Reclamation and decommissioning costs*

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Provisions are required for the estimated future costs of reclamations and the decommissioning of development projects, which are discounted to net present value using the risk free interest rate applicable to the future cash outflows. Estimates of future costs represent management's best estimate which incorporate assumptions on the effects of inflation, movements in foreign exchange rates and the effects of US and other specific risks associated with the related liabilities. The provision for the Company's reclamation and decommissioning cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs in the consolidated statements of income (loss). The provision for reclamation and decommissioning cost obligations is re-measured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional exploration and development activities, changes to cost estimates and changes to the risk free interest rate.

Reclamation and decommissioning cost obligations relating to development projects are initially recorded with a corresponding increase to the carrying amounts of related mineral interest properties. Changes to the obligations are also accounted for as changes in the carrying amounts of related mineral interest properties, except where a reduction in the obligation is greater than the capitalized reclamation and decommissioning costs, in which case, the capitalized reclamation and decommissioning costs is reduced to nil and the remaining adjustment is included in in the consolidated statements of income (loss).

(j) *Share-based payments*

The fair value of stock options awarded to employees, officers, non-employees and directors is recognized over the vesting periods as share-based payments, included in the consolidated statements of income (loss), with a corresponding increase to equity. Compensation cost attributable to awards to employees is measured at fair value at the grant date using the Black-Scholes option pricing model with market related inputs as of the date of grant. Stock options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The fair value of share-based payments to non-employees is periodically re-measured using the Black-Scholes option pricing model until counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. Changes to the estimated number of awards that will eventually vest are accounted for prospectively. Any consideration paid by the option holders to purchase shares is credited to share capital.

(k) *Income taxes*

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- (i) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- (i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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Current and deferred income tax expense or recovery are recognized in net earnings except when they arise as a result of items recognized in other comprehensive income or directly in equity in the current or prior periods, in which case the related current and deferred income taxes are also recognized in other comprehensive income or equity, respectively.

(l) *Earnings (loss) per share*

Basic income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated similar to basic income (loss) except it is assumed that outstanding stock options and warrants, with the average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year.

(m) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. The following specific criteria must be met before revenue is recognized:

Sale of goods

The sale of goods includes goods produced by the entity for the purpose of sale and goods purchased for the purpose of resale such as land and other property held for resale. Revenue from the sale of mineral property interests is recognized when all of the following conditions are satisfied:

- (i) the specific risks and rewards of ownership have been transferred to the purchaser;
- (ii) the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- (v) the costs incurred or to be incurred in respect of the sale can be measured reliably.

Interest income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(n) *Financial assets*

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Financial assets are classified into one of four categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, and available-for-sale. All financial assets, including derivatives, are measured in the consolidated statements of financial position at fair value at the date of acquisition. Subsequent measurement and accounting for changes in fair value will depend on the initial classification, as follows:

- (i) financial assets at FVTPL are measured at fair value and changes in fair value are recognized in the statements of income (loss);
- (ii) available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired due significant decline in the fair value of the investments below their costs, at which time the amounts would be recorded in the statements of income (loss); and
- (iii) loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method less any allowance for impairment.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(o) *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

(p) *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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Objective evidence of impairment could include the following:

- (i) significant financial difficulty of the issuer or counterparty;
- (ii) default or delinquency in interest or principal payments; or
- (iii) it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

With the exception of available-for-sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

*(q) Derecognition of financial assets and financial liabilities*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

*(r) Accounting changes*

In the absence of explicit transition requirements for new accounting pronouncements, the Company accounts for any changes in accounting principles retrospectively. As of January 1, 2011, the Company changed its amortization policy by adopting the straight-line method under IAS 16, *Property, Plant and Equipment*. Under the straight-line method, amortization is calculated at rates to write off the cost of property and equipment less their estimated residual value over their expected useful lives. The Company believes that the adoption of the straight-line method results in better presentation of the financial position of property and equipment in the condensed interim consolidated statements of financial position since the net book values of property and equipment balances are now better represented. The Company also believes the change in accounting policy results in better presentation of the amortization expense in the condensed interim consolidated statements of income (loss) and the condensed interim consolidated statements of comprehensive income (loss).

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The impact of the change in accounting policy has been retrospectively applied in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of this change in accounting policy resulted in an increase of \$112,174 on deficit, a decrease of \$112,174 on assets, and a decrease of \$48,261 in net income and comprehensive income as at and for the year ended December 31, 2010. The impact of this change in accounting policy resulted in an increase of \$63,913 on deficit and a decrease of \$63,913 on assets as at January 1, 2010. The financial quantification of this change is further disclosed in note 13.

(s) *Recent accounting pronouncements*

Accounting policies effective January 1, 2011

(i) IAS 32, Financial Instruments: Presentation

The revision of IAS 32 amends the criteria for classification as financial liabilities or equity by allowing some financial instruments that include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets only on liquidation to be classified as equity instruments when they have certain features. The classification criteria were also revised to take account of foreign currency denominated rights, options or warrants. Rights, options or warrants to acquire a fixed number of the Company's equity instruments for a fixed amount of any currency will be allowed to be classified as equity instruments so long as the Group offers the rights, options or warrants prorata to all of the Company's existing owners of the same class of the Company's non-derivative equity instruments. The Company adopted these changes for its annual period beginning on January 1, 2011. These changes did not affect the Company.

(ii) IFRS 7, Financial Instruments: Disclosures

The amendments to disclosure requirements in IFRS 7 enhance fair value measurements and liquidity risk disclosures. The Company adopted these changes for its annual period beginning on January 1, 2011.

(iii) IAS 1, Presentation of Financial Statements

Clarification that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is required to be presented in the statement of changes in equity or in the notes to the financial statements. The Company adopted these changes for its annual period beginning on January 1, 2011.

Accounting policies effective January 1, 2012

(i) IFRS 7, Financial Instruments: Disclosures

Amendments to IFRS 7 were implemented in 2010 to improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoptions permitted. The Company is currently analyzing

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the possible impact of this Standard on its consolidated accounts.

(ii) IAS 12, Income Taxes

An amendment was made to IAS 12 that provides a practical solution to determine the recovery of investment properties as it relates to the accounting for deferred income taxes. The amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Accounting policies effective January 1, 2013

(i) IFRS 9, Financial Instruments

New IFRS 9 revises the classification and measurement requirements of IAS 39 relating to financial assets. An entity will have to classify financial assets as subsequently measured at either *amortized cost* or *fair value*, on the basis of its business model for managing financial assets and the contractual cash flow characteristics of the financial asset. A financial asset will be measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an 'accounting mismatch'. This Standard will become effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its consolidated accounts.

(ii) IFRS 10, Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements* will replace portions of IAS 27, *Consolidated and Separate Financial Statements*, and interpretation SIC 12, *Consolidation - Special Purpose Entities*. This Standard will become effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its consolidated accounts.

(iii) IFRS 12, Disclosure of Interests in Other Entities

The IASB has issued IFRS 12, *Disclosure of Involvement with Other Entities*, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. This Standard will become effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will adopt this new standard as of its

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effective date. The Company is currently analyzing the possible impact of this Standard on its consolidated financial statements.

(iv) IFRS 13, Fair Value Measurement

New IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. This Standard will become effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its consolidated accounts.

#### 4. Short-term investments

Short-term investments have been classified as "fair value through profit or loss" and are comprised of the following:

	<b>Fair value March 31, 2011</b>	Fair value December 31, 2010
	\$	\$
Yellowcake Mining Inc. ("Yellowcake")	<b>132,068</b>	192,460
American Uranium Corporation ("American Uranium")	<b>19,018</b>	12,970
Common shares of Bayswater Uranium Corporation ("Bayswater")	<b>1,269,511</b>	3,166,168
Subscription receipt in a private company	<b>2,000,000</b>	-
	<b>3,420,597</b>	3,371,598

During the first quarter of 2010, the Company sold its Peninsula shares and recorded \$20,202 gain on disposal. During the first quarter 2011, the Company sold 1,248,000 of its Bayswater shares and recorded a \$445,474 gain on disposal. During 2010, the Company sold 415,000 of its Bayswater shares and recorded a \$118,365 gain on disposal. The Bayswater shares were received in conjunction with the sale of the Pine-Tree/Reno Creek property (see Note 5(b)(ii)). The unrealized loss of \$1,290,996 for the period ended March 31, 2011 on the 2,759,807 remaining Bayswater shares and the remaining Yellowcake and American Uranium shares reflects the change in market values. The unrealized gain of \$1,152,800 for the year ended December 31, 2010 on the 4,007,807 remaining Bayswater shares and the remaining Yellowcake and American Uranium shares reflects the increased market values at year end. During the period ended March 31, 2011, the Company committed \$2,000,000 for a subscription receipt in a private company which is pursuing coal interest in Mongolia. Refer to Note 12.

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## 5. Mineral property interests

For the 3 month period ended: March 31, 2011	Roca Honda Property	Nose Rock/ Crown Point Property	Marquez Property	Church Rock Property	Gas Hills Property	Sky/Cedar Rim Property	Other Properties	Total Property Costs
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>								
Balance, beginning of period	544,010	603,594	1,495,924	268,355	1,343,609	-	521,022	<b>4,776,514</b>
Additions	-	-	253,868	-	-	-	-	<b>253,868</b>
Recoveries	-	-	-	-	-	-	-	-
Write-down	-	-	-	-	-	-	-	-
Foreign currency translation	(12,471)	(13,837)	(34,292)	(6,152)	(30,801)	-	(11,944)	<b>(109,497)</b>
Balance, end of period	531,539	589,757	1,715,500	262,203	1,312,808	-	509,078	<b>4,920,885</b>
<b>Exploration costs</b>								
Balance, beginning of period	14,938,783	274,826	75,969	2,121,380	3,626,828	934,419	400,364	<b>22,372,569</b>
Incurred during the period								
Administration	78,520	-	-	810	3,319	-	114	<b>82,763</b>
Drilling	13,443	-	-	-	45,496	-	-	<b>58,939</b>
Engineering	420,070	-	-	142,363	97,362	-	-	<b>659,795</b>
Feasibility study	369,246	-	-	-	-	-	-	<b>369,246</b>
Geology & Geophysics	20,362	-	-	2,389	16,086	-	-	<b>38,837</b>
Property maintenance fees	-	-	-	-	4,975	-	2,320	<b>7,295</b>
Permitting/Regulatory	305,283	-	-	253	63,931	185	12	<b>369,664</b>
Personnel time	7,395	185	-	1,483	-	-	-	<b>9,063</b>
Travel	62,315	-	-	-	-	-	-	<b>62,315</b>
Health & Safety	-	-	-	-	506	-	-	<b>506</b>
	1,276,634	185	-	147,298	231,675	185	2,446	<b>1,658,423</b>
Foreign currency translation	(359,302)	(6,305)	(12,496)	(48,993)	(85,620)	(21,424)	(9,178)	<b>(543,318)</b>
Balance, end of period	15,856,115	268,706	63,473	2,219,685	3,772,883	913,180	393,632	<b>23,487,674</b>
<b>Total costs</b>	16,387,654	858,463	1,778,973	2,481,888	5,085,691	913,180	902,710	<b>28,408,559</b>

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For the year ended: December 31, 2010	Roca Honda Property	Nose Rock/ Crown Point Property	Marquez Property	Church Rock Property	Gas Hills Property	Pine Tree/ Reno Creek Property	Sky/Cedar Rim Property	Other Properties	Total Property Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>									
Balance, beginning of year	572,452	635,151	1,312,484	282,385	849,233	-	-	527,330	4,179,035
Additions	-	-	258,775	-	567,794	129,930	-	20,621	977,120
Recoveries	-	-	-	-	-	(129,930)	-	-	(129,930)
Foreign currency translation	(28,442)	(31,557)	(75,335)	(14,030)	(73,418)	-	-	(26,929)	(249,711)
Balance, end of year	544,010	603,594	1,495,924	268,355	1,343,609	-	-	521,022	4,776,514
<b>Exploration costs</b>									
Balance, beginning of year	11,769,962	262,372	63,799	2,215,947	2,771,452	-	967,131	331,595	18,382,258
Incurred during the year									
Administration	234,973	165	5,966	379	9,541	33,859	24	11,954	296,861
Drilling	993,505	-	-	-	333,014	-	8,432	-	1,334,951
Engineering	861,496	-	-	-	90,539	-	-	1,634	953,669
Feasibility Study	413,185	-	-	-	-	-	-	-	413,185
Geology & Geophysics	101,261	1,124	9,311	417	91,631	193	-	237	204,174
Property maintenance fees	17,669	25,315	848	15,292	256,143	504	7,371	143,295	466,437
Permitting/regulatory	1,195,974	-	-	-	242,264	6,224	195	1,127	1,445,784
Personnel time	60,517	-	-	-	-	-	-	-	60,517
Quality assurance	866	-	-	-	-	-	-	-	866
Travel	513	-	-	-	-	9,980	-	-	10,493
	3,879,959	26,604	16,125	16,088	1,023,132	50,760	16,022	158,247	5,186,937
Sale of properties	-	-	-	-	-	-	-	(68,632)	(68,632)
Cost recoveries	-	-	-	-	-	(50,760)	-	-	(50,760)
Write-down	-	-	-	-	-	-	-	(2,438)	(2,438)
Foreign currency translation	(711,138)	(14,150)	(3,955)	(110,655)	(167,756)	-	(48,734)	(18,408)	(1,074,796)
Balance, end of year	14,938,783	274,826	75,969	2,121,380	3,626,828	-	934,419	400,364	22,372,569
<b>Total Costs</b>	<b>15,482,793</b>	<b>878,420</b>	<b>1,571,893</b>	<b>2,389,735</b>	<b>4,970,437</b>	<b>-</b>	<b>934,419</b>	<b>921,386</b>	<b>27,149,083</b>

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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 using accepted industry standards.

Based on the Company's analysis of its properties in consideration of any impairment, it was concluded that there was no impairment as at March 31, 2011 (March 31, 2010 -\$2,438).

(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 a five year budget for the year ending December 31, 2011 of up to \$27,215,000, in proportion to their ownership interests, on development, permitting and feasibility of the Roca Honda property. Following completion of development, permitting and 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.

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 \$6,597,245 (December 31, 2010 - \$6,235,304, January 1, 2010 - \$4,979,151) to reflect Sumitomo's 40% interest.

(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

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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.

(iv) 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

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, 2010, the Company negotiated a one year extension to the agreement and paid an additional US\$10,000.

Jeep property

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

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.

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. Certain claims are subject to a 5% net proceeds royalty.

(ii) Pine Tree/Reno Creek property – discontinued operations

On August 20, 2007, the Company granted American Uranium Corp. ("American Uranium") an option to acquire a 60% interest in the Pine Tree/Reno Creek property. Total expenditures of US\$33,000,000 were required to be spent by American Uranium to earn a 60% interest. On April

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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 the Pine Tree/Reno Creek property to Bayswater Uranium Corporation ("Bayswater"). The terms of the agreement include a cash deposit of \$261,650 received in 2009 and cash proceeds of \$17,240,100 received in 2010, 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 proceeds royalty from sales which can be re-purchased in whole or in part by Bayswater at any time before the commencement of commercial production for US\$2,000,000 (US\$1,000,000 cash and US\$1,000,000 in common shares of Bayswater) per 1% royalty reduction up to a maximum of the entire 5% royalty for US\$10,000,000.

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 December 31, 2010, the Company has previously unrecognized tax assets and has recorded an income tax recovery of \$5,648,020 to offset taxes payable.

(iii) 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.

(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 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 4). 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.

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## Juniper Ridge property – disposition of mineral property interest

The Company entered into an option agreement on October 29, 2010 with Crosshair Exploration & Mining Corp. ("Crosshair") for the sale of its Juniper Ridge property. Under the terms of the agreement, Crosshair will pay the Company a value of US\$7,200,000 over six years in cash and common shares of Crosshair to acquire the property. As of December 31, 2010, the Company has received US\$200,000 from Crosshair. The purchase price will increase or decrease by \$1.00 for each pound of uranium above or below 5,000,000 pounds as demonstrated by a National Instrument 43-101 technical report to be completed within three years of the agreement. The purchase price will also increase or decrease by \$0.30 for each pound of uranium above or below 5,000,000 pounds as determined a pre-feasibility study or feasibility study to be completed within six years of the agreement date. Ownership will revert back to the Company if any of the required payments are not received from Crosshair. A 2% gross production royalty is also retained by the Company and can be purchased in whole or in part by Crosshair during the three years after commercial production commences for a total of US\$3,000,000.

*Schedule of estimated payments to be received from Crosshair Exploration & Mineral Corp. in cash and common shares based on an estimated 5,000,000 pounds of uranium:*

<b>Year</b>	<b>Cash</b>	<b>Common Shares</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
2010	200,000	-	200,000
2011	250,000	250,000	500,000
2012	1,250,000	1,250,000	2,500,000
2013	1,250,000	1,250,000	2,500,000
2016	To be determined by Strathmore Minerals Corp.		1,500,000
<b>Total</b>			<b>7,200,000</b>

## **6. Share capital, stock options, warrants and contributed surplus**

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

### *(a) Private placement*

During the three months ended March 31, 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

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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 issuance.

(b) *Stock options and warrants*

The Company has a stock option plan whereby, from time to time, at the discretion of the Compensation Committee, 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 periods of up to three years to be settled in the Company's common shares.

No option may be granted by the Compensation Committee which would have the effect of causing the substantial dilution limit to be exceeded unless vesting provisions are attached to the options to ensure that the options, when vested, do not cause the substantial dilution limit to be exceeded. The substantial dilution limit at any time is equal to 10% of then issued common shares less the actual number of option shares exercised during the preceding three year period.

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

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	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
		\$		\$
Outstanding, January 1, 2010	5,872,000	0.54	-	-
Granted	1,660,000	0.65	8,469,828	0.75
Exercised	(36,667)	0.41	-	-
Outstanding, March 31, 2010	7,495,333	0.57	8,469,828	0.75
Granted	1,575,000	1.18	-	-
Exercised	(484,000)	0.44	(718,964)	0.75
Expired	(140,499)	0.50	-	-
Forfeited	(40,834)	0.50	-	-
Outstanding, December 31, 2010	8,405,000	0.69	7,750,864	0.75
Granted	200,000	1.30	-	-
Exercised	(740,000)	0.42	(257,500)	0.75
Outstanding, March 31, 2011	7,865,000	0.73	7,493,364	0.75

For stock options exercised during the three months ended March 31, 2011, the weighted average fair value per option is \$0.22 (March 31, 2010 - \$0.16).

The following tables summarize information about outstanding stock options and warrants at March 31, 2011:

## *Stock Options*

Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
	\$		
400,000	2.25	400,000	January 2, 2013
35,000	0.70	35,000	April 23, 2013
150,000	0.60	150,000	September 26, 2013
3,975,000	0.41	3,975,000	November 10, 2013
200,000	1.30	-	February 1, 2014
1,565,000	0.65	521,666	February 17, 2015
190,000	1.30	-	November 29, 2015
1,350,000	1.17	-	December 23, 2015
7,865,000		5,081,666	

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<i>Warrants</i>				
	Number Outstanding	Exercise Price	Number Exerciseable	Expiry Date
		\$		
Broker warrants	384,000	\$ 0.75	384,000	January 20, 2012
Warrants	7,109,364	\$ 0.75	7,109,364	January 20, 2012
	7,493,364		7,493,364	

(c) *Share-based payments*

During the period ended March 31, 2011, the Company granted 200,000 (March 31, 2010 – 1,660,000) options to employees, consultants and directors. The stock options are recorded at fair value in the condensed interim consolidated statements of income (loss) using the Black-Scholes option pricing model. The expected volatility assumption is based on the historical and implied volatility of the Company's Canadian dollar common share prices on the Toronto Stock Exchange and on the Toronto Stock Venture Exchange. The risk-free interest rate assumption is based on yield curves on Canadian Government zero-coupon bonds with a remaining term equal to the stock options' expected life. Total share-based payments recognized in the condensed interim consolidated statements of income (loss) during the period ended March 31, 2011 was \$348,136 (March 31, 2010 – \$340,316) as a result of options granted and vested. This amount was also recorded as contributed surplus on the condensed interim consolidated statement of financial position. The weighted average fair value of options granted for the period ended was \$0.83 (March 31, 2010 - \$0.45) per option. The weighted average remaining contractual life for options outstanding at March 31, 2011 is 3.2 years (March 31, 2010 – 3.8 years).

During the period ended March 31, 2011, the following weighted average assumptions were used for the valuation of stock options:

March 31	<b>2011</b>	2010
Expected risk-free interest rate	<b>1.80%</b>	1.89%
Expected life	<b>2.5 years</b>	3.5 years
Expected volatility	<b>113%</b>	108%
Expected dividend rate	<b>0.00%</b>	0.00%

## 7. Supplemental disclosure with respect to cash flows

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	March 31, 2011	December 31, 2010
	\$	\$
Cash and cash equivalents		
Cash	<b>6,511,530</b>	5,116,484
Term deposits	<b>12,480,615</b>	15,970,904
	<b>18,992,145</b>	21,087,388

Of the total cash and cash equivalents as at March 31, 2011, the Company has \$390,627 in restricted term deposits (December 31, 2010 - \$342,679) which are being held to guarantee credit cards, and performance bonds for compliance with environmental laws and are therefore not available for general use by the Company. During the period ended March 31, 2011, the Company earned \$55,677 (March 31, 2010 - \$14,193) in interest income on cash and cash equivalents and on its short-term investments.

	March 31, 2011	March 31, 2010
	\$	\$
Changes in non-cash working capital items:		
(Increase) decrease in amounts receivable	<b>(42,480)</b>	28,472
Decrease in short-term investments	<b>1,105,479</b>	2,889,702
Increase in prepaid expenses	<b>(34,797)</b>	(215,003)
Increase in accounts payable and accrued liabilities	<b>1,164,101</b>	194,669
Increase in deposit for acquisition of shares of an investment	<b>(2,000,000)</b>	-
Increase in deposit on sale proceeds	-	246,150
Total changes in non-cash working capital items	<b>192,303</b>	3,143,990

There were \$nil cash payments for interest and income taxes during the three month periods ended March 31, 2011 and March 31, 2010.

Significant non-cash transactions during the period ended March 31, 2011 include:

- (a) *Incurring mineral property expenditures of \$457,298 through accounts payable and accrued liabilities.*
- (b) *Reclassifying \$387,939 to mineral properties from non-controlling interests for reimbursements from the non-controlling interests.*
- (c) *Recognizing \$652,815 in foreign currency translation adjustment in mineral properties.*
- (d) *Recognizing \$313,385 in foreign currency translation adjustment in accounts payable and accrued liabilities.*

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- (e) *Purchasing \$20,000 of property and equipment through accounts payable and accrued liabilities.*
- (f) *Reclassifying \$179,375 to property and equipment from prepaid expenses.*
- (g) *Recognizing \$128,115 of contributed surplus on exercised options into common shares.*

Significant non-cash transactions during the period ended March 31, 2010 include:

- (a) *Incurring mineral property expenditures of \$150,034 through accounts payable and accrued liabilities.*
- (b) *Reclassifying \$389,509 from share issuance costs to contributed surplus for broker warrants.*
- (c) *Reclassifying \$31,646 to mineral properties from non-controlling interests for reimbursements from the non-controlling interests.*
- (d) *Recognizing \$5,875 of contributed surplus on exercised options into common shares.*
- (e) *Recognizing \$682,148 in foreign currency translation adjustment in mineral properties.*
- (f) *Recognizing \$31,646 in foreign currency translation adjustment in property and equipment.*

## 8. Related party transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are discussed below.

	<b>March 31, 2011</b>	March 31, 2010
	\$	\$
Share-based payments for options granted to key management personnel	<b>206,337</b>	219,893
Wages and consulting fees paid to key management personnel	<b>350,386</b>	341,255
	<b>556,723</b>	561,148

Included in accounts payable at March 31, 2011 is \$5,953 (December 31, 2010 - \$12,911) 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.

Share-based payments represents the fair value calculations of options in accordance with IFRS 2, *Share-Based Payment* granted to key management personnel.

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Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the periods ended March 31, 2011 and March 31, 2010.

## 9. Segmented information

The Company primarily operates in one reportable operating segment, being the exploration and development of mineral property interests and considers its loss from operations for the period ended March 31, 2011 and its income from operations for the period ended March 31, 2010 to relate to this segment.

For the mineral property interests, the Company receives discrete financial information that is used by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. The segment is principally engaged in uranium exploration and development in the US. The Company's corporate segment only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8, *Operating segments*.

Assets by geographic area are as follows:

	March 31, 2011		December 31, 2010	
	Canada	United States	Canada	United States
	\$	\$	\$	\$
Property and equipment	<b>150,812</b>	<b>1,034,640</b>	153,413	923,681
Mineral property interests	-	<b>28,408,559</b>	-	27,149,083
	<b>150,812</b>	<b>29,443,199</b>	153,413	28,072,764

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## 10. Contingency

The Company has a claim for services allegedly performed on its mineral properties totalling \$182,616. The party has commenced legal proceedings against the Company. The Company unequivocally rejects this claim and is actively defending itself. No amount has been accrued in the financial statements with respect to this claim as the outcome is not determinable.

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

## 11. Financial instruments and risk management

The Company's financial assets and liabilities consist of cash and cash equivalents, income taxes receivable, amounts receivable, short-term investments and accounts payable and accrued liabilities. For cash and cash equivalents, amounts receivable, income taxes receivable and 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 short-term investments represents quoted prices in active markets for identical securities.

At March 31, 2011, the determination of the fair value measurement (see notes 3(n) and 3(o)) into which the Company's financial assets and liabilities are categorized on the condensed interim consolidated statements of financial position as follows: cash and cash equivalents and short-term investments are measured at fair value. At March 31, 2011, there were no available-for-sale financial assets measured and recognized at fair value and there were no loans and receivables or held-to-maturity investments measured and recognized at amortized cost on the condensed interim consolidated statements of financial position.

The Company's financial assets and liabilities are exposed to a number of financial and market risks, including credit, liquidity, 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.

### (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 ratings, monitoring activities related to receivables and counterparty concentrations measured by amounts and percentages. The primary sources of credit risk for the Company arise from financial assets including cash and cash equivalents held with major financial institutions and 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 March 31, 2011, the Company has no financial assets that are past due or impaired due to credit risk defaults. Therefore, the Company is not exposed to significant credit risk.

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

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	<b>March 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Cash and cash equivalents	<b>18,992,145</b>	21,087,388	1,218,006
Amounts receivable	<b>287,841</b>	196,438	78,096
	<b>19,279,986</b>	21,283,826	1,296,102

(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.

As at March 31, 2011, the Company had positive working capital of \$22,137,162. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk.

The following table summarizes the Company's financial liabilities:

	<b>March 31, 2011</b>	December 31, 2010	January 1, 2010
	\$	\$	\$
Accounts payable and accrued liabilities	<b>2,088,732</b>	1,011,804	984,747
	<b>2,088,732</b>	1,011,804	984,747

(c) *Market risk*

Market risk is the risk that the fair value for assets classified as FVTPL 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 market fluctuations. The Company holds certain marketable securities that will fluctuate in value as a result of trading on global financial markets. Based on the Company's portfolio at March 31, 2011, a 10% increase or decrease in the market price of the securities held, ignoring any foreign currency risk which is described

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below, would have resulted in an increase (or decrease) to net income of approximately \$342,060 (December 31, 2010 - \$337,160, January 1, 2010 - \$296,165). 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.

## 12. Subsequent event

Subsequent to March 31, 2011, the Company has become the registered holder of 8,000,000 common shares of a private company pursuing coal interests in Mongolia. Refer to note 4.

## 13. Transition to IFRS

### (a) IFRS optional exemptions

As stated in Note 2, these are the Company's first condensed interim consolidated financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing the condensed interim consolidated financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the financial statements for the year ended December 31, 2010 and the preparation of the opening IFRS interim consolidated statement of financial position as at January 1, 2010 (the "Transition Date").

Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets, liabilities, and equity taken to deficit unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position as at January 1, 2010:

#### (i) Business combinations

IFRS 1 provides the options to apply IFRS 3, Business Combinations, retrospectively or prospectively from the date of transition. The retrospective basis would require restatement of all business combinations that occurred prior to the date of transition. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously under Canadian GAAP as a result of applying these exemptions. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after the Transition Date.

#### (ii) Cumulative translation differences

IFRS 1 allows a first-time adopter to be exempt from the requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates, for cumulative translation difference that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative translation differences and adjusted deficit by the same amount

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at the Transition Date to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the Transition Date to IFRS will not affect the gain or loss on disposal.

(iii) Share-based payments transactions

IFRS 2, *Share-based Payments*, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested or had been modified by the date of transition. The Company has elected not to apply IFRS 2 to awards that were modified or vested prior to the Transition Date.

(iv) Financial instruments

IFRS 1 allows a first-time adopter to designate, at the date of transition to IFRS, any financial asset or financial liability, previously designated as available-for-sale financial instruments, as at fair value through profit or loss provided the asset or liability meets the criteria in IAS 39. The Company has chosen to apply this election by designating its short-term investments as at fair value through profit or loss. The investments were previously designated as available-for-sale financial instruments and carried at fair value, with the unrealized gain or loss recorded in shareholders' equity as a component of accumulated other comprehensive income.

(b) *IFRS mandatory guidelines*

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening interim consolidated statement of financial position as at January 1, 2010:

(i) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of the Transition Date are consistent with its Canadian GAAP estimates for the same date.

(ii) Accounting for non-controlling interests

IAS 27, *Consolidated and Separate Financial Statements*, requires certain amounts to be allocated between owners and non-controlling interests. IFRS 1 provides relief from requiring companies to gather information and calculate allocations between owners and non-controlling interests under IFRS for transactions in periods prior to the date of transition. As the Company elected to apply IFRS 3 prospectively, the Company will account for non-controlling interests under IAS 27 prospectively.

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(c) *IFRS accounting policy changes*

The significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company are discussed in the following narratives and the resulting changes to the 2010 reported comprehensive income (loss) and financial position are shown in the following reconciliations of the Canadian GAAP consolidated statements of income (loss) and comprehensive income (loss) and consolidated statements of financial position as at January 1, 2010, for the three months ended March 31, 2010 and for the year ended December 31, 2010 to IFRS.

(i) Exploration and evaluation expenses

IFRS currently does not prescribe specific accounting treatment to capitalize or expense exploration and evaluation expenditures. Therefore, the Company expects to continue its current policy of capitalizing exploration and evaluation expenditures.

(ii) Impairment of non-financial assets

Unlike Canadian GAAP that requires an assessment of impairment on an annual basis, IFRS requires an assessment at each reporting date as to whether there are indicators of impairment for exploration and evaluation expenditures. However, the IFRS impairment test requires the carrying value of the asset to be compared to the higher of the fair value less costs to sell and the value in use which is the discounted future cash flows projected to be generated by the asset. This use of discounted cash flows is different to Canadian GAAP, which uses an undiscounted model for impairment testing.

Unlike Canadian GAAP, IFRS allows for the reversal of impairment charges. IFRS permits the reversal of previous recorded impairment charges to the extent that circumstances changed such that the impairments have been reduced. The reversal may not exceed the aggregate of previously recorded impairments.

The Company completed an impairment review of its exploration and evaluation assets and its property and equipment as at January 1, 2010, March 31, 2010 and December 31, 2010 and concluded that the assets were not impaired in accordance with IFRS. The Company also concluded that previously recorded impairment charges should not be reversed at January 1, 2010, March 31, 2010 and December 31, 2010 in accordance with IFRS.

(iii) Foreign currency

IFRS requires that the functional currency of the Company and its subsidiaries be determined separately. Although similar to Canadian GAAP, IFRS has a specific hierarchy which puts greater emphasis on the currency of revenues and costs rather than financing in the determination of functional currency. The Company has determined that as at the Transition

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Date, the Canadian dollar is the functional currency of the parent Company and the US dollar is the function currency of the Company's US subsidiaries. Under Canadian GAAP, the US subsidiaries were defined as integrated foreign operations and therefore no foreign exchange translation in equity was noted. In electing to take the IFRS 1 exemption, the Company has included the foreign exchange, resulting from the translation of the US subsidiaries at the Transition Date under IFRS, within deficit. For the period ended March 31, 2010 and for the year ended December 31, 2010, the foreign exchange, resulting from the translation of the Company's US subsidiaries under IFRS, is included in accumulated other comprehensive income in equity.

(iv) Share-based payments

IFRS requires each tranche in an award with graded vesting be considered as a separate grant with a different vesting date and fair value whereas the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award under Canadian GAAP.

IFRS requires an estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Under Canadian GAAP, forfeitures of awards are recognized as they occur.

For the purpose of accounting for share-based payments transactions under IFRS, an individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by employees. This definition of an employee is broader than that previously applied by the Company under Canadian GAAP and resulted in certain contractors and consultants being classified as employees under IFRS.

As a result of these differences, the Company adjusted its share-based payments.

(v) Income taxes

All deferred tax assets and liabilities are classified as non-current under IFRS whereas deferred tax assets and liabilities are split between current and non-current components on the basis of either (1) the underlying asset or liability or (2) the expected reversal of items not related to an asset or liability under Canadian GAAP. The Company reclassified its deferred tax liabilities from current to non-current liabilities at December 31, 2010.

(vi) Presentation and disclosure

The increased disclosure required under IFRS will cause the Company to change financial reporting processes so that appropriate data is collected and to ensure we meet the presentation and disclosure requirements under IFRS in our IFRS financial statements.

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(d) *Consolidated Statements of Cash Flows*

The Company's cash flows from continuing operations prepared in accordance with Canadian GAAP and as previously reported have decreased in comparison to those prepared and reported in these unaudited interim consolidated financial statements in accordance with IFRS as follows:

Three months ended March 31, 2010:

- (i) Net cash provided by operating activities from continuing operations decreased from \$2,106,887 to \$2,054,557.

Year ended December 31, 2010:

- (i) Net cash provided by operating activities from continuing operations decreased from \$2,689,569 to \$2,447,912.

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Notes to the condensed interim consolidated financial statements

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(unaudited)

(expressed in Canadian dollars)

## Interim consolidated statement of financial position

As at January 1, 2010

Effect of Transition to IFRS

	Canadian GAAP	Share-Based Payments (Note 13(c)(iv))	Foreign Exchange Translation (Notes 13(a)(ii) and 13(c)(iii))	IFRS 1 Exemptions (Note 13(a)(iv))	Change in Accounting Policy *	IFRS
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash and cash equivalents	1,116,984	-	-	101,022	-	1,218,006
Restricted cash and cash equivalents	101,022	-	-	(101,022)	-	-
Short-term investments	2,866,990	-	-	94,660	-	2,961,650
Amounts receivable	78,096	-	-	-	-	78,096
Prepaid expenses	38,885	-	-	-	31,398	70,283
	4,201,977	-	-	94,660	31,398	4,328,035
Investments	94,660	-	-	(94,660)	-	-
Property and equipment	1,510,759	-	(52,325)	-	(95,311)	1,363,123
Mineral property interests	23,030,636	-	(469,343)	-	-	22,561,293
<b>Total assets</b>	<b>28,838,032</b>	<b>-</b>	<b>(521,668)</b>	<b>-</b>	<b>(63,913)</b>	<b>28,252,451</b>
<b>Liabilities</b>						
Current liabilities						
Accounts payable and accrued liabilities	984,747	-	-	-	-	984,747
Deposit on sale proceeds	261,650	-	-	-	-	261,650
<b>Total liabilities</b>	<b>1,246,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,246,397</b>
<b>Shareholders' equity</b>						
Share capital	53,473,594	-	-	-	-	53,473,594
Contributed surplus	7,427,613	178,013	-	-	-	7,605,626
Deficit	(38,304,278)	(178,013)	(442,623)	(63,490)	(63,913)	(39,052,317)
Accumulated other comprehensive income	(63,490)	-	-	63,490	-	-
Attributable to Shareholders of:						
Strathmore Minerals Corp.	22,533,439	-	(442,623)	-	(63,913)	22,026,903
Non-controlling interest	5,058,196	-	(79,045)	-	-	4,979,151
<b>Total shareholders' equity</b>	<b>27,591,635</b>	<b>-</b>	<b>(521,668)</b>	<b>-</b>	<b>(63,913)</b>	<b>27,006,054</b>
<b>Total liabilities and shareholders' equity</b>	<b>28,838,032</b>	<b>-</b>	<b>(521,668)</b>	<b>-</b>	<b>(63,913)</b>	<b>28,252,451</b>

\* Change in accounting policy not part of IFRS transition. Refer to Note 3(r).

# Strathmore Minerals Corp.

Notes to the condensed interim consolidated financial statements

March 31, 2011 and 2010

(unaudited)

(expressed in Canadian dollars)

## Interim consolidated statement of financial position

**As at March 31, 2010**

### Effect of Transition to IFRS

	Canadian GAAP	Share-based Payments (Note 13(c)(iv))	Foreign Exchange Translation (Note 13(c)(iii))	IFRS 1 Exemptions (Note 13(a)(iv))	Change in Accounting Policy *	IFRS
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash and cash equivalents	10,216,651	-	-	238,068	-	10,454,719
Restricted cash and cash equivalents	238,068	-	-	(238,068)	-	-
Short-term investments	-	-	-	131,150	-	131,150
Amounts receivable	60,026	-	-	-	-	60,026
Prepaid expenses	253,888	-	-	-	30,468	284,356
	10,768,633	-	-	131,150	30,468	10,930,251
Investments	131,150	-	-	(131,150)	-	-
Property and equipment	1,501,206	-	(84,183)	-	(115,103)	1,301,920
Mineral property interests	23,790,399	-	(1,151,491)	-	-	22,638,908
<b>Total assets</b>	<b>36,191,388</b>	<b>-</b>	<b>(1,235,674)</b>	<b>-</b>	<b>(84,635)</b>	<b>34,871,079</b>
<b>Liabilities</b>						
Current liabilities						
Accounts payable and accrued liabilities	1,114,661	-	-	-	-	1,114,661
Deposit on sale proceeds	507,800	-	-	-	-	507,800
<b>Total liabilities</b>	<b>1,622,461</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,622,461</b>
<b>Shareholders' equity</b>						
Share capital	60,969,848	-	-	-	-	60,969,848
Contributed surplus	8,140,794	188,782	-	-	-	8,329,576
Deficit	(39,736,419)	(188,782)	(436,222)	(24,490)	(84,635)	(40,470,548)
Accumulated other comprehensive income	(27,000)	-	-	27,000	-	-
Foreign currency translation adjustment	-	-	(571,432)	(2,510)	-	(573,942)
Attributable to Shareholders of:						
Strathmore Minerals Corp.	29,347,223	-	(1,007,654)	-	(84,635)	28,254,934
Non-controlling interests (Note 7(a)(i))	5,221,704	-	(228,020)	-	-	4,993,684
<b>Total shareholders' equity</b>	<b>34,568,927</b>	<b>-</b>	<b>(1,235,674)</b>	<b>-</b>	<b>(84,635)</b>	<b>33,248,618</b>
<b>Total liabilities and shareholders' equity</b>	<b>36,191,388</b>	<b>-</b>	<b>(1,235,674)</b>	<b>-</b>	<b>(84,635)</b>	<b>34,871,079</b>

\*Change in accounting policy not part of IFRS transition. Refer to Note 3(r).

# Strathmore Minerals Corp.

Notes to the condensed interim consolidated financial statements

March 31, 2011 and 2010

(unaudited)

(expressed in Canadian dollars)

## Interim consolidated statement of financial position

As at December 31, 2010

### Effect of Transition to IFRS

	Canadian GAAP	Share-Based Payments (Note 13(c)(iv))	Foreign Exchange Translation (Note 13(c)(iii))	IFRS 1 Exemptions (Note 13(a)(iv))	Change in Accounting Policy *	IFRS
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash and cash equivalents	20,744,709	-	-	342,679	-	21,087,388
Restricted cash and cash equivalents	342,679	-	-	(342,679)	-	-
Short-term investments	3,166,168	-	-	205,430	-	3,371,598
Amounts receivable	196,438	-	-	-	-	196,438
Income taxes receivable	1,510,045	-	-	-	-	1,510,045
Prepaid expenses	164,621	-	-	-	29,920	194,541
	26,124,660	-	-	205,430	29,920	26,360,010
Investments	205,430	-	-	(205,430)	-	-
Property and equipment	1,321,603	-	(102,415)	-	(142,094)	1,077,094
Mineral property interests	28,942,933	-	(1,793,850)	-	-	27,149,083
<b>Total assets</b>	<b>56,594,626</b>	<b>-</b>	<b>(1,896,265)</b>	<b>-</b>	<b>(112,174)</b>	<b>54,586,187</b>
<b>Liabilities</b>						
Current liabilities						
Accounts payable and accrued liabilities	1,011,804	-	-	-	-	1,011,804
	1,011,804	-	-	-	-	1,011,804
Deferred income tax liabilities	1,311,928	-	-	-	-	1,311,928
<b>Total liabilities</b>	<b>2,323,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,323,732</b>
<b>Shareholders' equity</b>						
Share capital	62,063,296	5,954	-	-	-	62,069,250
Contributed surplus	8,515,875	253,041	-	-	-	8,768,916
Deficit	(22,922,890)	(258,995)	(545,903)	4,433	(112,174)	(23,835,529)
Accumulated other comprehensive income	4,433	-	-	(4,433)	-	-
Foreign currency translation adjustment	-	-	(975,486)	-	-	(975,486)
Attributable to Shareholders of:						
Strathmore Minerals Corp.	47,660,714	-	(1,521,389)	-	(112,174)	46,027,151
Non-controlling interests	6,610,180	-	(374,876)	-	-	6,235,304
<b>Total shareholders' equity</b>	<b>54,270,894</b>	<b>-</b>	<b>(1,896,265)</b>	<b>-</b>	<b>(112,174)</b>	<b>52,262,455</b>
<b>Total liabilities and shareholders' equity</b>	<b>56,594,626</b>	<b>-</b>	<b>(1,896,265)</b>	<b>-</b>	<b>(112,174)</b>	<b>54,586,187</b>

\*Change in accounting policy not part of IFRS transition. Refer to Note 3(r).

# Strathmore Minerals Corp.

Notes to the condensed interim consolidated financial statements

March 31, 2011 and 2010

(unaudited)

(expressed in Canadian dollars)

## Interim consolidated statement of income (loss) and comprehensive income (loss)

### Three month period March 31, 2010

#### Effect of Transition to IFRS

	Canadian GAAP	Share-Based Payments (Note 13(c)(iv))	Foreign Exchange Translation (Note 13(c)(iii))	IFRS 1 Exemptions (Note 13(a)(iv))	Change in Accounting Policy *	IFRS
	\$	\$	\$	\$	\$	\$
<b>General and administrative expenses</b>						
Amortization	57,731	-	-	-	20,722	78,453
Consulting fees	602,844	-	-	-	-	602,844
Corporate development and investor relations	102,860	-	-	-	-	102,860
Office and administration	120,504	-	-	-	-	120,504
Professional fees	59,963	-	-	-	-	59,963
Stock-based compensation	329,547	10,769	-	-	-	340,316
Transfer agent and regulatory fees	14,435	-	-	-	-	14,435
Wages and benefits	219,782	-	-	-	-	219,782
<b>Loss before other items</b>	<b>(1,507,666)</b>	<b>(10,769)</b>	<b>-</b>	<b>-</b>	<b>(20,722)</b>	<b>(1,539,157)</b>
<b>Other items</b>						
Exploration management fee income	16,436	-	-	-	-	16,436
Foreign exchange gain	4,995	-	3,182	-	-	8,177
Interest and miscellaneous income	22,436	-	-	-	-	22,436
Realized gain on short-term investments	20,202	-	-	-	-	20,202
Unrealized gain on short-term investments	-	-	-	39,000	-	39,000
Mineral property write-down	(2,438)	-	-	-	-	(2,438)
	61,631	-	3,182	39,000	-	103,813
<b>Net loss for the period</b>	<b>(1,446,035)</b>	<b>(10,769)</b>	<b>3,182</b>	<b>39,000</b>	<b>(20,722)</b>	<b>(1,435,344)</b>
Attributable to:						
Shareholders of Strathmore Minerals Corp.	(1,432,141)	(10,769)	6,401	39,000	(20,722)	(1,418,231)
Non-controlling interests	(13,894)	-	(3,219)	-	-	(17,113)
<b>Net loss for the period</b>	<b>(1,446,035)</b>	<b>(10,769)</b>	<b>3,182</b>	<b>39,000</b>	<b>(20,722)</b>	<b>(1,435,344)</b>
<b>Other comprehensive loss</b>						
Gain on available-for-sale securities	36,490	-	-	(36,490)	-	-
Foreign currency translation adjustment	-	-	(571,432)	(2,510)	-	(573,942)
<b>Comprehensive loss for the period</b>	<b>(1,409,545)</b>	<b>(10,769)</b>	<b>(568,250)</b>	<b>-</b>	<b>(20,722)</b>	<b>(2,009,286)</b>
Attributable to:						
Shareholders of Strathmore Minerals Corp.	(1,395,651)	(10,769)	(565,031)	-	(20,722)	(1,992,173)
Non-controlling interests	(13,894)	-	(3,219)	-	-	(17,113)
<b>Comprehensive loss for the period</b>	<b>(1,409,545)</b>	<b>(10,769)</b>	<b>(568,250)</b>	<b>-</b>	<b>(20,722)</b>	<b>(2,009,286)</b>

\*Change in accounting policy not part of IFRS transition. Refer to Note 3(r).

# Strathmore Minerals Corp.

Notes to the condensed interim consolidated financial statements

March 31, 2011 and 2010

(unaudited)

(expressed in Canadian dollars)

## Interim consolidated statement of income (loss) and comprehensive income (loss)

Year ended December 31, 2010

Effect of transition to IFRS

	Canadian GAAP	Share-Based Payments (Note 13(c)(iv))	Foreign Exchange Translation (Note 13(c)(iii))	IFRS 1 Exemptions (Note 13(a)(iv))	Change in Accounting Policy *	IFRS
	\$	\$	\$	\$	\$	\$
<b>General and administrative expenses</b>						
Amortization	244,399	-	-	-	48,261	292,660
Consulting fees	1,474,347	-	-	-	-	1,474,347
Corporate development and investor relations	544,773	-	-	-	-	544,773
Office and administration	533,373	-	-	-	-	533,373
Professional fees	272,555	-	-	-	-	272,555
Stock-based compensation	1,046,415	80,982	-	-	-	1,127,397
Transfer agent and regulatory fees	73,351	-	-	-	-	73,351
Wages and benefits	765,842	-	-	-	-	765,842
<b>Loss before other items</b>	<b>(4,955,055)</b>	<b>(80,982)</b>	<b>-</b>	<b>-</b>	<b>(48,261)</b>	<b>(5,084,298)</b>
<b>Other items</b>						
Exploration management fee income	18,069	-	-	-	-	18,069
Foreign exchange gain	143,914	-	(111,854)	-	-	32,060
Gain on disposition of mineral property	137,930	-	-	-	-	137,930
Interest and miscellaneous income	204,346	-	-	-	-	204,346
Realized gain on short-term investments	138,567	-	-	-	-	138,567
Unrealized gain on short-term investments	1,042,030	-	-	110,770	-	1,152,800
Mineral property write-down	(2,438)	-	-	-	-	(2,438)
	<b>1,682,418</b>	<b>-</b>	<b>(111,854)</b>	<b>110,770</b>	<b>-</b>	<b>1,681,334</b>
<b>Loss from continuing operations before income taxes</b>	<b>(3,272,637)</b>	<b>(80,982)</b>	<b>(111,854)</b>	<b>110,770</b>	<b>(48,261)</b>	<b>(3,402,964)</b>
Income tax recovery	5,648,020	-	-	-	-	5,648,020
Deferred income tax expense	(1,269,081)	-	-	(42,847)	-	(1,311,928)
<b>Income from continuing operations</b>	<b>1,106,302</b>	<b>(80,982)</b>	<b>(111,854)</b>	<b>67,923</b>	<b>(48,261)</b>	<b>933,128</b>
<b>Discontinued operations</b>						
Gain on disposition of mineral property interest, net	14,197,818	-	-	-	-	14,197,818
<b>Net income for the year</b>	<b>15,304,120</b>	<b>(80,982)</b>	<b>(111,854)</b>	<b>67,923</b>	<b>(48,261)</b>	<b>15,130,946</b>
Attributable to:						
Shareholders of Strathmore Minerals Corp.	15,381,388	(80,982)	(103,280)	67,923	(48,261)	15,216,788
Non-controlling interests	(77,268)	-	(8,574)	-	-	(85,842)
<b>Net income for the year</b>	<b>15,304,120</b>	<b>(80,982)</b>	<b>(111,854)</b>	<b>67,923</b>	<b>(48,261)</b>	<b>15,130,946</b>
<b>Other comprehensive gain (loss)</b>						
Gain on available-for-sale securities	110,770	-	-	(110,770)	-	-
Deferred income tax expense	(42,847)	-	-	42,847	-	-
Foreign currency translation adjustment	-	-	(975,486)	-	-	(975,486)
<b>Comprehensive income for the year</b>	<b>15,372,043</b>	<b>(80,982)</b>	<b>(1,087,340)</b>	<b>-</b>	<b>(48,261)</b>	<b>14,155,460</b>
Attributable to:						
Shareholders of Strathmore Minerals Corp.	15,449,311	(80,982)	(1,078,766)	-	(48,261)	14,241,302
Non-controlling interests	(77,268)	-	(8,574)	-	-	(85,842)
<b>Comprehensive income for the year</b>	<b>15,372,043</b>	<b>(80,982)</b>	<b>(1,087,340)</b>	<b>-</b>	<b>(48,261)</b>	<b>14,155,460</b>

# **Strathmore Minerals Corp.**

Notes to the condensed interim consolidated financial statements

March 31, 2011 and 2010

(unaudited)

(expressed in Canadian dollars)

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\*Change in accounting policy not part of IFRS transition. Refer to Note 3(r).