

# **STRATHMORE MINERALS CORP.**

## **ANNUAL INFORMATION FORM**

**DATE: MAY 12, 2003**

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## THE COMPANY

Strathmore Minerals Corp. is engaged in the acquisition and exploration of mineral resource properties. The Company's properties are located in the western United States and Peru. All of the Company's properties are in the exploration stage and the Company's properties are being explored for uranium.

### **Name and Incorporation**

The Company was incorporated by memorandum and articles pursuant to the *Company Act* (British Columbia) on April 16, 1987 under the name 325240 B.C. Ltd. On July 28, 1988, the Company changed its name to Achievers Media Corporation and was continued under the *Canada Business Corporations Act* by filing Articles of Continuance with the Director, Consumer and Corporate Affairs, Canada. The Company was extra-provincially registered in British Columbia effective September 29, 1988. The Company was listed on the Exchange on September 26, 1989. On November 2, 1992, the Company was declared inactive by the Exchange. On November 6, 1992, the Company changed its name to The Achievers Training Group Inc. and consolidated its share capital on the basis of one new share for every five existing shares. On May 5, 1993, the Company was continued into British Columbia, and a Certificate of Continuation under the *Company Act* was issued by the British Columbia Registrar of Companies on June 21, 1993, at which time the Company changed its name to Rockwealth International Resource Corp. On June 25, 1993, the Company's inactive designation was removed by the Exchange. On August 7, 1996 the Company changed its name to Strathmore Resources Ltd. On September 19, 2000, the Company changed its name to Strathmore Minerals Corp. and consolidated its share capital on a five old for one new basis.

The Company is a reporting issuer in British Columbia, and its shares were listed, posted and called for trading on the TSX Venture Exchange on September 26, 1989.

The head office of the Company is located at Suite 810 – 1708 Dolphin Ave., Kelowna B.C. V1Y 9S4 and its registered office is located at Suite 700 - 595 Howe Street, Vancouver, B.C., V6C 2T5.

### **Intercorporate Relationships**

The Company presently has one wholly-owned U.S. subsidiary, Strathmore Resources (US) Ltd., incorporated in the State of Nevada.

## **General Development of the Business**

The Company is engaged in locating, acquiring, exploring and, if warranted, developing mineral resource properties with a particular emphasis on properties which may contain economic reserves of uranium. The properties in which the Company has an interest or the right to acquire an interest are currently in the exploration stage.

During 1997 the Company acquired, by staking, two prospective uranium projects: the Macusani Project in Peru and the Aurora Project in Oregon. In addition, the Company acquired the Chord project located in South Dakota in July, 1998. The Company has significantly reduced the number of uranium claims that it holds but currently holds claims in the Macusani district of Peru and in the Fall River area of South Dakota.

While the long-term picture for uranium remains bright, none of this has been reflected in the price action of uranium for the past three years. Despite the continued supply deficit, uranium prices declined to a multi-decade low of about \$7 per pound at the end of 2000. In this environment, management elected to sharply reduce its expenditures and conserve cash. The Company eliminated all exploration and pared back on its uranium properties thereby reducing the cost of holding its uranium properties with the resulting write-off of a number of its uranium properties. In addition, the Company entered into a letter agreement to acquire two prospective diamond properties located in the Otish mountain area of northern Quebec. After a lengthy negotiation, the Company decided not to pursue these properties and did not complete the transaction.

## **THE BUSINESS OF THE COMPANY**

The Company is engaged in locating, acquiring, exploring and, if warranted, developing mineral resource properties with a particular emphasis on properties which may contain economic reserves of uranium. The properties in which the Company has an interest or the right to acquire an interest are currently in the exploration stage. The Company's primary objective is to locate, evaluate and acquire uranium properties and to finance their exploration and development through equity financing, by way of joint venture, option agreements or other means. The Company's current properties are located in the United States and in Peru.

### **Properties of the Company**

#### **Peru Property Macusani Project**

The Macusani property is located in south-central Peru, in the Puno district of Carabaya Province. It is approximately 650 kilometres southeast of Lima and accessible by good quality unpaved roads from either Cusco or Juliaca. The properties are located in the heart of the 250 square-kilometre Macusani district. In order to reduce its holding costs, the Company allowed these

staked properties to lapse and has since re-staked some of the original claims as the spot price of uranium has gradually risen to a current level of approximately \$11 (US) per pound.

## **Geology**

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

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

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

## **Previous Work**

The Macusani region was explored from August to October 1982 by a joint project (PER/81/004) of the Instituto Peruviano de Energia Nuclear (IPEN) and the IAEA (Arribas and Figueroa, 1983). Several prospective areas were identified, Chapi, cerro Calvario, cerro Concharrumio, etc.. The most prospective of these, pampa Suyupia, east of the village of Chapi, was explored further by IPEN, who carried out a radiometric survey in 1984, an emanometric (radon gas) survey in 1986, followed by trenching of anomalous areas in 1987. Much of this work was carried out under the supervision of Ing. Guido Arroyo, who is now employed by PERUAN S.A. as their chief geologist.

Based on 58 trenches, cut from NW to SE across the mineralized area, a mineral inventory to a depth of 1-m was calculated by the IPEN. An inferred resource of 3.35 million tonnes at an average grade of 0.10% U is quoted in an unpublished IPEN document (Arroyo, 1987). This shallow uranium resource covers an area of about 140,500 m<sup>2</sup>, and is located along the west side of pampa suyupia, about 600 m east of the village of Chapi.

## **Work by Strathmore**

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

### **Exploration Potential**

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

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

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

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

In order to establish sufficient reserves to justify further expenditures at Chapi, the Company will need to expand the trenching at Chapi to test the strike extent of veins already found. A program of trenching and mapping with a budget of approximately \$300,000 has been recommended.

### **Chord Project**

The Chord Project is located in Fall River County, South Dakota and comprises 23 claims. Pursuant to an agreement dated July 1, 1998, the Company may lease the property for up to 10 years by making lease payments of US\$10,000 per year. The property is subject to a 2% yellowcake royalty. The Company has negotiated an amendment to the lease agreement whereby the Company may, upon regulatory approval, issue 50,000 common shares in lieu of the cash payments. At

present, the Company has no work program in place for the property.

## **Risk Factors and Government Regulation**

### **Industry Conditions**

The mining industry in general is intensely competitive and there is no assurance that, even if significant quantities of ore are discovered, a profitable market will exist for the sale of minerals produced by the Company. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices, in particular uranium prices, have fluctuated widely, in recent years. The marketability of minerals will also be affected by numerous other factors beyond the control of the Company. These other factors include government regulations relating to price, royalties, allowable production and importing and exporting of minerals.

The Company competes with many other companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors. There is no assurance the Company will be successful in acquiring any additional mineral property interests. Failure to acquire additional property interests, coupled with a loss of any existing property interests may have a material adverse effect on the Company's ability to complete its business objectives as stated herein.

### **Development and Mining Risks**

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company's properties have no known body of commercial ore and the proposed work programs include an exploratory search for ore. Unusual or unexpected formations, formation pressures, fire, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has no experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company has relied and will continue to rely upon consultants and others for operating expertise. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined and fluctuations in the price of minerals produced. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

### **Financial Risks**

The Company is a development stage company with a limited operating history and no pre-tax profit. There is little likelihood that the Company will realize any profits in the short term. Investors cannot expect to receive a dividend on their investment in the foreseeable future. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals, which itself is subject to numerous risk factors. The Company will require additional financing to complete the exploration and development of its mineral property interests,

and if financing is unavailable for any reason, the Company will become unable to retain its options to acquire the mineral properties.

The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its planned exploration and development programs. The exercise of the Options and the development of the mineral property interests may therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining the required financing or that financing will be available on terms and conditions acceptable to the Company or that will not cause significant dilution to shareholders.

### **Conflicts of Interest and Dependence on Key Personnel**

The success of the Company and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key employees, and members of its board of directors. Although the Company does have employment contracts in place with certain of its key employees and directors, their continued involvement is not assured, and the loss of their services to the Company may have a material adverse effect on the Company.

Certain of the Company's directors and officers serve as directors or officers of, and/or own securities of, other resource companies, whereby such persons may have a conflict of interest in allocating their time and resources among the Company and such other companies; and to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest.

As substantially all of the assets of the Company, including all of its mineral property interests, are located outside of Canada, and certain of the directors and officers of the Company are resident outside of Canada, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company resident outside of Canada.

### **Government Regulation**

Any exploration operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for metals which is influenced by many factors including changing production costs, the supply and demand for precious metals, the rate of inflation, the inventory of precious metal producing corporations, the political environment and changes in international investment patterns.

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's future right to exploit the mineral property (if earned) is subject to various

reporting requirements and to obtaining certain governmental approvals and there is no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

The Company may become subject to liability for cave-ins, environmental damages, and other hazards of mineral exploration against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company. The Company presently has no insurance to protect against any of these potential liabilities.

In addition, although the Company is not aware of any specific claim for aboriginal title rights in respect of the Company's mining tenements, it is possible that such a claim could be made in the future. The Company has not undertaken the legal, historical, anthropological and ethnographic research which would be necessary to form an opinion as to whether such a claim would succeed if made and, if so, what the implications would be for the Company. Although the Company has reviewed title for all mineral properties in which it has a material interest, there is no guarantee that title to such interests will be not challenged or impugned.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table provides a brief summary of the Issuer's financial operations. For more detailed information, refer to the audited financial statements and unaudited financial statements of the Issuer.

	Year-end 12/31/02	Year-end 12/31/01	Year-end 12/31/00
Revenues (Net)	Nil	Nil	Nil
Other (Interest)	Nil	Nil	Nil
Gross Profit	Nil	Nil	Nil
General and Administrative Expenses	239,462	290,750	272,351
Write-off of mineral properties <sup>(1)</sup>	(215,315)	Nil	(93,181)
Write-off of deferred exploration costs <sup>(2)</sup>	(704,123)	Nil	(48,730)
Net Income (Loss)	(1,158,900)	(290,750)	(399,262)
Working Capital	(30,600)	(86,650)	68,721
<b>Mineral Properties</b>			
Acquisition costs	48,640	215,755	177,150
Deferred exploration and development	3,819	760,312	696,457
Other Assets <sup>(3)</sup>	Nil	8,344	30,258
Long Term Liabilities	Nil	Nil	Nil
<b>Shareholders' Equity</b>			
Dollar Amount	\$85,738	\$924,438	\$1,015,588
Number of Securities <sup>(4)</sup>	8,046,548	5,801,548	4,149,548

(1)In fiscal 2002 the Issuer wrote-off acquisition costs of \$215,315 (2001:nil) pertaining to its Peru properties and Aurora properties.

(2)In fiscal 2002 the Issuer wrote-off deferred exploration costs of \$704,123 (2001: \$nil) on its Peru and U.S. properties.

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

(4)There were 8,046,548 shares issued and outstanding as of December 31, 20002 (2001: 5,801,548), of which 75,000 are escrowed shares which will be released only upon obtaining the consent of the appropriate regulatory authority.

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

## **Dividends**

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion should be read in conjunction with the audited financial statements and related notes of the Company for the year-ended December 31, 2002 (the "Financial Statements").

### Discussion of Operations and Financial Condition

While the long-term picture for uranium remains bright, none of this has been reflected in the price action of uranium for the past couple of years. Despite the continued supply deficit, uranium prices declined steadily during the past three years, to a multi-decade low of about \$7 per pound at the end of 2000. Subsequently, the spot price of uranium has steadily increased to the current level of approximately \$11(US) per pound.

In this environment, management elected to sharply reduce its expenditures and conserve cash. The Company eliminated all exploration and pared back on the uranium properties, decreasing the number of claims held thereby reducing the cost of holding its uranium properties with the resulting write-off of a number of its uranium properties.

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

During 2002, the Company incurred \$52,019 in property acquisition costs and deferred exploration and development costs and wrote-off expenditures relating to its various uranium properties having a total book value of \$704,123. (See Note 5 of the Financial Statements)

General and administration expenses decreased from \$290,750 in 2001 to \$250,088 in 2002. The Company expects these expenses to remain at a similar level for the current year.

During 2002, the Company paid or accrued to Kenneth S. Freidman, Ph.D. the President of the Company, \$25,605 in management fees, paid Bob Hemmerling, a director of the Company, fees of \$18,992 and paid Devinder Randhawa, a director of the Company, consulting fees of \$47,115.

### Subsequent Events

The Company decided not to complete the option agreement on the northern Quebec Otish mountain diamond properties and the directors determined to return to treasury 100,000 shares previously issued to close the transaction.

The Company has re-staked property in the Macusani uranium district in Peru and is encouraged by the steady comeback in the price of uranium from a low of around \$7. to its present price of approximately \$11.

### Financing, Principal Purposes and Milestones

During 2002, the Company raised \$417,000 by way of a private placement resulting in the issuance of 2,085,000 post-consolidated shares. The funds were used for general working capital purposes.

### Liquidity and Solvency

The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of its planned exploration and development programs. The payment of property payments and the development of the mineral property interests will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining the required financing or that financing will be available on terms and conditions acceptable to the Company or that will not cause significant dilution to shareholders.

## **Outlook: The Uranium Industry**

The only significant use for uranium is to fuel nuclear power plants for the generation of electricity. Nuclear energy currently represents more than eighteen percent (18%) of world electricity output, up from less than two percent (2%) in 1970. According to the Uranium Institute, electricity supplied by nuclear generation is expected to grow at the rate of one percent (1%) per annum for the next five to ten years. This increase is primarily as a result of new nuclear reactors outside the United States, combined with increased efficiency of operating reactors. There are currently more than 430 nuclear reactors in more than 30 countries. More than 30 new nuclear reactors are currently under construction.

### Extraction and Processing

The first step in the process of obtaining uranium for its ultimate sale to the utility company end-users is the extraction of the uranium from the ground. Historically this was

accomplished through the use open pit mines or underground shaft operations. The uranium content of the ore obtained from those methods is often between 0.1% and 0.2%, thus requiring large amounts of ore to be mined in order to get at the uranium. Open pit and underground mines are both capital and labour intensive. Thus, beginning in the 1960's and 1970's, many mining operations in the U.S. began to convert to a form of solution mining. One of the most common of the methods being utilized, particularly in the United States, is known as in situ leaching ("ISL").

ISL is generally applicable to sandstone-based uranium deposits located below the water table in a confined aquifer. The uranium is dissolved by oxygen enriched water or a mild alkaline or acidic leaching solution, which is injected into and recovered from the aquifer by means of wells. The rock remains undisturbed. After ISL is completed the aquifer must be restored to pre-leaching conditions. For certain types of deposits, the ISL process is not only more cost effective than traditional methods but also environmentally more benign. As noted, ISL can not be used to extract ore except in those situations which contain certain geologic formations. Even though ISL may be somewhat less expensive as a method of extracting ore,\* underground and open pit mining continue to have economic feasibility for those deposits which contain a high grade of uranium. Accordingly, it is anticipated that the Company will explore each of those alternatives before determining whether, and how, to develop its properties.

After the uranium is extracted from the ground, the ore must be further treated before being sold to the ultimate consumer. In the case of open pit or underground mines, the ore is crushed and leached in a mill. The leaching separates the uranium from other constituents and the final product, known as "yellow cake", is packed and shipped. If ISL is used to obtain the uranium, after extraction the solution containing the uranium must be converted to a dry form which is then processed for sale to the utility-user.

The entity which extracts the ore from the ground frequently also has facilities for the additional processing which is required before the uranium can be used. However, extraction entities which do not have such facilities can either contract with other entities to conduct such processing or can sell the uranium to those entities rather than to the end-users.

### Market for Uranium

The only known market for uranium is for use in nuclear power plants. Although uranium producers in the Western World must compete with non-Western World producers for sales, generally, uranium producers in the Western World do not sell uranium outside the Western World, with producers in the United States believed to be selling almost exclusively to utilities within the United States. ("Western World" is defined as being those countries from which data regarding the production and consumption of uranium is available and includes the countries outside the Republics of the Commonwealth of Independent States ("CIS")(formerly the Soviet Union), Eastern Europe and the Peoples Republic of China.) While utilities have sometimes acquired uranium pursuant to the spot market, most of the uranium is currently being acquired pursuant to long-term contracts.

## Production and Consumption

World wide uranium consumption is approximately 165 million pounds, with the United States accounting for nearly 50 million pounds. Consumption is expected to grow over the next decade at less than 1% per year. World wide mine supply was 80 to 85 million pounds, a decline from approximately 88 million pounds in 1998. Canada is the largest producer. Australia, with an increase in production of 15.6% to 15.6 million pounds is the second largest producer. It is expected that by 2005 production will increase to 95 million pounds, largely due to anticipated production from Cigar Lake in Canada and Jabiluka in Australia.

Starting in approximately 1989 the United States began to import uranium from the CIS and, to a lesser extent, from the Peoples Republic of China and Eastern Europe. In 1991 certain U.S. uranium producers filed an action with the International Trade Commission against some of the CIS republics alleging that the republics were dumping uranium at prices significantly below fair market value. As a result of that action, the United States Department of Commerce signed Suspension Agreements with six of the CIS republics which applied price-related volume quotas to the republics' uranium which could be imported into the U.S. The Suspension Agreement with one of the republics, Russia, was amended in 1994 to permit up to 43 million pounds of Russian uranium to be imported to the United States over 10 years but only if it was matched by an equal volume of new U.S. production. The Suspension Agreements with two other republics have been amended which lowered the initial prices relating to their import quotas, which amendments may make additional imports possible. The production in the CIS republics has been decreasing and therefore the market impact of the CIS's production on the United States' market appears to be diminishing.

The availability of uranium in the United States has been, and may continue to be, impacted by an agreement between the United States and Russia with respect to the conversion of highly enriched uranium ("HEU") as a result of the dismantling of nuclear weapons. HEU will be converted into low enriched uranium which is suitable for use in nuclear power plants. At a projected maximum conversion rate for HEU, approximately 24 million pounds of uranium, representing approximately 18% of annual requirements, will be available to Western World markets by 2001. In 1996 the U.S. Congress adopted legislation which allows the converted HEU material to be sold in the U.S. at an annual rate of up to 2 million pounds in 1998, with graduated increases to 20 million pounds in 2009.

Based on current and anticipated production levels in the Western World, it is anticipated that new production will need to be brought online to fill a potential annual production gap of between 40 and 60 million pounds.

However, with substantially more uranium consumed than produced, the price of uranium has remained depressed because of the sale of inventories. In April, at a hearing of the House Commerce subcommittee of the U.S. House of Representatives, the Uranium Producers of America accused U.S. Enrichment Corporation of "uncontrolled dumping" of uranium on the market.

## Prices

The Company's future results will be highly dependent upon the price of uranium, which prices are generally determined on the basis of world wide supply and demand. The price of uranium on the spot market has varied significantly in the past twenty years, reaching a high of approximately forty-three dollars (\$43.00 US) in 1978 and a low of between eight and nine dollars (\$8.00-\$9.00 US) in 1991 and 1992. For the past two years the spot price per pound has been in the range of US\$8.75 to US\$12. per pound. The Company is currently unable to determine the spot price at which the development of its properties will be economically feasible. The Company believes, however, that it costs between eight dollars and thirty dollars (\$8.00-\$30.00 US) per pound to extract (using ISL), produce and distribute uranium. The cost of extraction, refining and distribution of uranium using underground or open-pit mining will depend on the nature of the deposit and can therefore vary dramatically. The Company estimates that such costs for underground mining operations will range between twelve dollars and forty dollars (\$12.00-\$40.00 US) per pound and for open-pit mining will range from twelve dollars to thirty-five dollars (\$12.00-\$35.00 US) per pound.

## Competition

The Company will market uranium in competition with various sources worldwide. Prior to 1989 substantially all of the uranium being used in the Western World was from production which took place in Western World countries. Beginning in approximately 1989 the CIS republics and mainland China also began to supply substantial amounts of uranium to the Western World countries.

According to the Uranium Institute, in 1995 six companies produced approximately seventy percent (70%) of the total output of the Western World. the largest producer of uranium in the United States is estimated to produce approximately twenty percent (20%) of the United States' production and approximately two percent (2%) of the total Western World production.

## Regulation

The production of uranium in the United States is subject to substantial regulation, including federal and state environmental regulations. These regulations could have a material impact on the Company's operations and the timing of the development of the Company's properties.

In the United States, an uranium mining operation must obtain a radioactive material license and is generally subject to regulation by the federal Nuclear Regulatory Commission ("NRC") under the Atomic Energy Act ("AEA"). the AEA allows, however, individual states to take primary responsibility for licensing and regulating certain activities associated with uranium mining if the state has a regulatory program deemed by the NRC to be satisfactory. In order for the individual state to accept the responsibility, the state must enter into an agreement with the NRC pursuant to which the NRC agrees to leave the matters to be administered to the state.

Uranium mining is also impacted significantly by environmental considerations which are subject in the United States to federal and state regulations. Among the environmental considerations are the prevention of ground water contamination and the treatment of waste or by-products of the mining process. The governing authority must approve the method by which by-products are treated and, after mining is completed, the mining company must reclaim the surface area and restore the quality of the underground water to the level required by the governing authority.

The federal Safe Water Drinking Act ("SWDA") in the United States is the regulatory program designed to protect groundwater and is administered by the federal Environmental Protection Agency ("EPA"). The SWDA allows, however, for individual states which have sufficient regulatory programs to assume primary jurisdiction over these matters. In order for an individual state to assume such primary authority it must file for a permit from the EPA with respect to each individual mining site. When a permit is granted to a state, the responsibility for oversight under the SWDA would then be that of the individual state. While such permits are routinely granted, the EPA can withhold or delay the permits.

In addition to the radioactive materials licenses and the water permits, uranium mining operations are often required to receive from appropriate governmental authorities a number of other permits or exemptions from those permits. For example, the operation may be required to obtain a permit or exemption for waste water discharge, for the application of treated waste water and for air emissions.

The process of obtaining the required permits, licenses and exemptions will vary slightly from state to state. Generally, the process requires the producer to file applications with the appropriate governmental authority or authorities and to set forth in those applications details regarding the business to be conducted and the methods which the producer will utilize to comply with the regulatory requirements. The process for obtaining all the permits required usually takes approximately two years from the submission of the applications.

## **MARKET FOR SECURITIES**

The Company's shares of common stock are listed on the TSX Venture Exchange, British Columbia, Canada. The Company's trading symbol is "STM".

Each share of common stock has one vote on all matters on which shareholders may vote and holders thereof are entitled to received dividends when and if declared by the board of directors of the Company. Holders of shares of the common stock have no preemptive rights nor conversion rights. The shares are not subject to further calls or assessment.

## DIRECTORS AND OFFICERS

Listed below is certain information about the directors and executive officers of the Company. Each director is elected at the annual general meeting of shareholders to serve until the next annual general meeting or until a successor is elected or appointed. Executive officers are appointed annually and serve at the discretion of the Board of Directors.

Name, Age, Municipality of Residence and Position with the Company	Principal Occupation	Number of Securities of the Company beneficially owned (directly or indirectly)	
		#	%
Kenneth S. Friedman Black Hawk, Colorado <b>President &amp; C.E.O            and Director</b>  Age 61	Ph.D(MIT), S.M.-Physics(MIT), M.A.(Harvard). Director of the Company since December, 1996; President of Non Linear Resource Corp. of Blackhawk, Colorado since December, 1993, a company involved in publishing financial news letters and providing consulting services to natural resource companies. Previously director of Research and Natural Resources analyst for Prudential Securities. Also a director of several public mining companies.	475,000 Shares	5.9%
Devinder Randhawa Kelowna, B.C. <b>Director and            V.P. - Corporate Finance</b>  Age 43	Director and Vice-President of Corporate Finance of the Company since October, 1996; President of RD Capital Inc. of Kelowna, British Columbia since September 1995, a company involved in corporate finance consulting. President of First Smart Sensor Corp., from December 1994 to September 1995, a private company developing a gas leak detection system; Prior thereto, a registered representative of Canaccord Securities Inc. Also a President and Director of several public companies.	1,976,418 Shares	24.6%
Robert Hemmerling Kelowna, B.C. <b>Director</b>  Age 43	Director of the Company since May 30, 1999. Communications Manager, Strathmore. September 1996 to present; Electrician, Concord Electric Ltd., 1991 to August 1996.	105,460 Shares	1.3%

The following are profiles of the directors of the Company who comprise the audit committee.

**Kenneth S. Friedman**

Graduated with a Ph.D in 1969 from MIT, with previous S.M. (Physics) from MIT (1966), M.A. (Philosophy) from Harvard (1965) and S.B. from MIT (1963). After a career in college teaching, in which he chaired the Department of Philosophy at the State University of New York (Osego), he became a money manager with Security Trust (Rochester, N.Y.), and vice-President (with primary duties in researching commodities and overall strategy) for Norstar Investment Advisory Services (after Norstar bought Security Trust). During this time, Norstar was chosen by Merrill Lynch Selects as one of two low-risk equity managers in the U.S. Friedman subsequently became the metals and mining analyst for Boettcher, a Denver-based-broker-dealer, owned by Prudential. When Prudential consolidated its five regional broker-dealers, Friedman became the natural resources analyst for Prudential Securities. He subsequently became the Director of Research for Dickinson & Co., a regional broker-dealer based in Des Moines, Iowa. He later resigned to start his own company, Nonlinear Resource Corp., which manages money for clients, publishes a financial newsletter (occasionally quoted in the Wall Street Journal and Barrons), and consults to natural resource companies. He is currently the director of several public mining companies.

**Devinder Randhawa**

Is a businessman who is President of RD Capital Inc., a private company controlled by Mr. Randhawa involved in corporate finance consulting in Kelowna, British Columbia. Mr. Randhawa, through his company, RD Capital Inc., spends the majority of his time on undertaking investor relations and sourcing financing for the Company. He is also a President and Director of Royal County Minerals Corp. He was President of First Smart Sensor Corp. from December 1994 to September 1995. First Smart Sensor Corp. is a private company which was developing a gas leak detection system.

**Robert Hemmerling**

Is a businessman and the Communications Manager for the Company and has been employed as such since September, 1996. Mr. Hemmerling is also the Secretary of Royal County Minerals Corp., a public company traded on the TSX Venture Exchange.

**Corporate Cease Trade Orders or Bankruptcies**

In October, 1997, Devinder Randhawa and Robert Hemmerling were hired to assist in the reorganization of Knowledge Plus Multimedia. However, the reorganization efforts could not be completed in a timely manner which caused the financial statements to be delinquent and Knowledge Plus Multimedia was subsequently suspended.

Other than as stated above, during the periods the above directors, officers and promoters served such other issuers, none of those issuers were the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days; or, were declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted

any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### **Penalties or Sanctions**

In February and March, 1996, Devinder Randhawa was subject to a hearing before a Hearing Panel of the Vancouver Stock Exchange in relation to alleged breaches of certain VSE Rules and By-Laws. As a result of the Decision on Sanction dated March 21, 1996, Devinder Randhawa was fined \$5,000, assessed costs of \$9,202 and made subject to other restrictions upon his re-entry to the industry which are fully set out in the decision. The fine and costs have been paid.

On March 26, 1996, Devinder Randhawa appealed the decision to the British Columbia Securities Commission ("Commission"). His appeal was heard on July 17-18, 1997 and the decision of the Commission was released on September 11, 1997. The Commission set aside certain rulings of most of the decision of the VSE Hearing Panel. However, the Commission held that Devinder Randhawa had breached the VSE rule that he loaned monies to a public company without the knowledge of his employer; the balance of the findings of the VSE Hearing Panel were set aside. The result was that Devinder Randhawa was required to pay a fine of \$2,000, re-write the Conduct and Practices Handbook examination, and if reinstated, be placed under strict supervision for a period of three months. In addition, the order made by the VSE Hearing Panel that Devinder Randhawa pay costs was set aside.

Other than as stated above, no director, officer or promoter of the Issuer has, within the previous ten years, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, theft or fraud.

### **Individual Bankruptcies**

No director, officer or promoter of the Issuer has, within the previous five years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceeding, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed.

### **Conflicts of Interest**

Certain of the directors and officers of the Issuer serve as directors and/or officers of other companies. Accordingly, it may occur that contracts will be offered to both the Issuer and such other companies. As a result, there may be situations which involve a conflict of interest. In that event, any interested directors would be required to declare the nature and extent of their interest and would not be entitled to vote at meetings of directors which evoke such conflict. The directors will attempt to avoid dealing with such other companies in situations where conflicts might arise and will at all times use their best efforts to act in the best interest of the Issuer.

## ADDITIONAL INFORMATION

The Company will provide, upon request to its Secretary, at Suite 810, 1708 Dolphin Ave., Kelowna, B.C., V1Y 9S4

- (a) when its securities are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of its securities:
  - (i) one copy of this Annual Information Form;
  - (ii) one copy of its comparative financial statements for its year ended December 31, 2002 and auditors' report thereon;
  - (iii) one copy of its interim consolidated financial statements issued subsequent to December 31, 2002;
  - (iv) one copy of its Management Information Circular dated May 7, 2002 in respect of its 2002 annual general meeting of shareholders; and
  - (v) one copy of any other documents that are incorporated by reference into the aforementioned short form or preliminary short form prospectus; and
- (b) at any other time, one copy of the documents referred to in (a)(i) to (a)(iv) above.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Information Circular for its most recent annual general meeting of shareholders that involved the election of directors dated May 7 2002 and additional financial information is provided in the Company's comparative audited financial statements for its most recently completed financial year ended December 31, 2002.