

Consolidated financial statements of

**Strathmore Minerals Corp.**

December 31, 2010 and 2009

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Strathmore Minerals Corp.**

We have audited the accompanying consolidated financial statements of **Strathmore Minerals Corp.**, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Strathmore Minerals Corp.** as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,  
March 29, 2011.

*Ernst & Young LLP*

Chartered Accountants

# Strathmore Minerals Corp.

December 31, 2010 and 2009

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# Strathmore Minerals Corp.

## Consolidated balance sheets

(expressed in Canadian dollars)

	December 31, 2010	December 31, 2009
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 9)	20,744,709	1,116,984
Restricted cash and cash equivalents (Note 3)	342,679	101,022
Short-term investments (Note 4)	3,166,168	2,866,990
Amounts receivable	196,438	78,096
Income taxes receivable	1,510,045	-
Prepaid expenses	164,621	38,885
	<b>26,124,660</b>	4,201,977
Investments (Note 5)	205,430	94,660
Property and equipment (Note 6)	1,321,603	1,510,759
Mineral property interests (Note 7)	28,942,933	23,030,636
<b>Total assets</b>	<b>56,594,626</b>	28,838,032
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	1,011,804	984,747
Deposit on sale proceeds (Note 7(b)(ii))	-	261,650
	<b>1,011,804</b>	1,246,397
Future income taxes (Note 11)	1,311,928	-
<b>Total liabilities</b>	<b>2,323,732</b>	1,246,397
<b>Shareholders' equity</b>		
Share capital	62,063,296	53,473,594
Contributed surplus	8,515,875	7,427,613
Deficit	(22,922,890)	(38,304,278)
Accumulated other comprehensive income	4,433	(63,490)
Attributable to Shareholders of		
Strathmore Minerals Corp.	47,660,714	22,533,439
Non-controlling interests (Note 7(a)(i))	6,610,180	5,058,196
<b>Total shareholders' equity</b>	<b>54,270,894</b>	27,591,635
<b>Total liabilities and shareholders' equity</b>	<b>56,594,626</b>	28,838,032

Contingency (Note 13)

Subsequent event (Note 16)

On behalf of the Board:

**"Ralph Goehring"**

Director

**"David Miller"**

Director

# Strathmore Minerals Corp.

## Consolidated statements of operations

(expressed in Canadian dollars)

	Year ended December 31, 2010	Year ended December 31, 2009
	\$	\$
<b>General and administrative expenses</b>		
Amortization	244,399	422,098
Consulting fees	1,474,347	862,957
Corporate development and investor relations	544,773	245,735
Office and administration	533,373	795,806
Professional fees	272,555	205,611
Stock-based compensation (Note 8(c))	1,046,415	1,444,102
Transfer agent and regulatory fees	73,351	25,993
Wages and benefits	765,842	455,936
<b>Loss before other items</b>	<b>(4,955,055)</b>	<b>(4,458,238)</b>
<b>Other items</b>		
Exploration management fee income	18,069	46,105
Foreign exchange gain	143,914	37,320
Gain on disposition of mineral property (Note 7(c)(ii))	137,930	25,269
Interest and miscellaneous income	204,346	143,673
Realized gain on short-term investments (Note 4)	138,567	-
Unrealized gain on short-term investments (Note 4)	1,042,030	25,905
Mineral property write-down (Note 7)	(2,438)	(2,108,533)
	<b>1,682,418</b>	<b>(1,830,261)</b>
<b>Loss from continuing operations before income taxes</b>	<b>(3,272,637)</b>	<b>(6,288,499)</b>
Income tax recovery (Note 7(b)(ii))	5,648,020	-
Future income tax expense (Note 11)	(1,269,081)	-
<b>Income (loss) from continuing operations</b>	<b>1,106,302</b>	<b>(6,288,499)</b>
<b>Discontinued operations</b>		
Gain on disposition of mineral property interest, net (Note 7(b)(ii))	14,197,818	-
<b>Net income (loss) for the year</b>	<b>15,304,120</b>	<b>(6,288,499)</b>
Attributable to:		
Shareholders of Strathmore Minerals Corp.	15,381,388	(6,343,937)
Non-controlling interests	(77,268)	55,438
<b>Net income (loss) for the year</b>	<b>15,304,120</b>	<b>(6,288,499)</b>
<b>Basic and diluted income (loss) per common share from continuing operations:</b>		
Basic and diluted	0.01	(0.09)
<b>Basic and diluted income (loss) per common share:</b>		
Basic	0.18	(0.09)
Diluted	0.17	(0.09)
<b>Weighted average number of common shares outstanding:</b>		
Basic	87,120,970	72,458,911
Diluted (Note 8(d))	88,937,184	72,458,911

# Strathmore Minerals Corp.

Consolidated statements of comprehensive income (loss)

(expressed in Canadian dollars)

	<b>Year ended December 31, 2010</b>	Year ended December 31, 2009
	\$	\$
<b>Net income (loss) for the year</b>	<b>15,304,120</b>	(6,288,499)
<b>Other comprehensive gain (loss)</b>		
Gain (loss) on available-for-sale securities, net (Note 5)	<b>67,923</b>	(63,490)
<b>Comprehensive income (loss) for the year</b>	<b>15,372,043</b>	(6,351,989)
Attributable to:		
Shareholders of Strathmore Minerals Corp.	<b>15,449,311</b>	(6,407,427)
Non-controlling interests	<b>(77,268)</b>	55,438
<b>Comprehensive income (loss) for the year</b>	<b>15,372,043</b>	(6,351,989)

# Strathmore Minerals Corp.

Consolidated statements of shareholders' equity  
(expressed in Canadian dollars)

	Common shares (Note 8)		Contributed surplus	Accumulated other comprehensive income (loss)	(Deficit)	Attributable to shareholders of:		Total
	Shares	Amount				Strathmore Minerals Corp.	Non-controlling interests	
		\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2008</b>	72,458,911	53,473,594	5,983,511	-	(32,015,779)	27,441,326	4,306,404	31,747,730
Loss on available-for-sale securities	-	-	-	(63,490)	-	(63,490)	-	(63,490)
Stock-based compensation (Note 8(c))	-	-	1,444,102	-	-	1,444,102	-	1,444,102
Contributions to Roca Honda	-	-	-	-	-	-	751,792	751,792
Net loss	-	-	-	-	(6,288,499)	(6,288,499)	-	(6,288,499)
<b>Balance, December 31, 2009</b>	72,458,911	53,473,594	7,427,613	(63,490)	(38,304,278)	22,533,439	5,058,196	27,591,635
Exercise of options	520,667	362,013	(134,542)	-	-	227,471	-	227,471
Exercise of warrants	718,964	752,343	(213,120)	-	-	539,223	-	539,223
Net gain on available-for-sale securities	-	-	-	67,923	-	67,923	-	67,923
Non-brokered private placement (Note 8(a))	15,243,727	8,384,050	-	-	-	8,384,050	-	8,384,050
Finders' fees (Note 8(a))	-	(908,704)	389,509	-	-	(519,195)	-	(519,195)
Stock-based compensation (Note 8(c))	-	-	1,046,415	-	-	1,046,415	-	1,046,415
Contributions to Roca Honda	-	-	-	-	-	-	1,629,252	1,629,252
Net income (loss)	-	-	-	-	15,381,388	15,381,388	(77,268)	15,304,120
<b>Balance, December 31, 2010</b>	<b>88,942,269</b>	<b>62,063,296</b>	<b>8,515,875</b>	<b>4,433</b>	<b>(22,922,890)</b>	<b>47,660,714</b>	<b>6,610,180</b>	<b>54,270,894</b>

# Strathmore Minerals Corp.

Consolidated statements of cash flows  
(expressed in Canadian dollars)

	Year ended December 31, 2010 \$	Year ended December 31, 2009 \$
<b>Operating activities</b>		
Net income (loss) from continuing operations	1,106,302	(6,288,499)
Items not affecting cash:		
Amortization	244,399	422,098
Realized gain on short-term investments	(138,567)	-
Urealized gain on short-term investments	(1,042,030)	(25,905)
Stock-based compensation	1,046,415	1,444,102
Gain on disposal of equipment	-	(830)
Gain on disposition of mineral property	(137,930)	-
Gain on property option agreements	-	(25,269)
Mineral property write-down	2,438	2,108,533
Income tax recovery	(5,648,020)	-
Future income tax expense	1,269,081	-
Foreign exchange gain	(116,581)	-
Changes in non-cash working capital items (Note 9)	724,924	(2,303,812)
Cash used in continuing operations	(2,689,569)	(4,669,582)
<b>Investing activities</b>		
Purchases of equipment	(55,243)	(1,948)
Proceeds on disposition of equipment	-	7,094
Development of mineral property interests	(3,878,593)	(2,452,009)
Proceeds on disposition of mineral property interests	194,143	-
Cash used in continuing investing activities	(3,739,693)	(2,446,863)
<b>Financing activities</b>		
Proceeds from the issuance of common shares and share units	8,384,050	-
Share issuance costs	(519,195)	-
Exercise of stock options	227,471	-
Exercise of warrants	539,223	-
Cash provided by continuing financing activities	8,631,549	-
<b>Net increase (decrease) in cash and cash equivalents from continuing operations</b>	<b>2,202,287</b>	<b>(7,116,445)</b>
<b>Discontinued operations</b>		
<b>Operating activities</b>		
Net income from discontinued operations	14,197,818	-
Gain on disposition of discontinued operations, net	(14,197,818)	-
<b>Investing activities</b>		
Proceeds from the sale of discontinued operations	17,240,097	-
Mineral property expenditures in discontinued operations	-	(61,941)
Cash provided by (used in) discontinued operations	17,240,097	(61,941)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>185,341</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents from continuing and discontinued operations</b>	<b>19,627,725</b>	<b>(7,178,386)</b>
Cash and cash equivalents, beginning of year	1,116,984	8,295,370
<b>Cash and cash equivalents, end of year</b>	<b>20,744,709</b>	<b>1,116,984</b>

Supplemental disclosure with respect to cash flows (Note 9)

# Strathmore Minerals Corp.

Notes to the consolidated financial statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

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## 1. Nature and continuance of operations

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

The Company is in the process of exploring its mineral property interests and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral property interests, including related deferred exploration costs, is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, obtaining the necessary permits to operate a mine and upon future profitable production, or, alternatively, upon cash generated from non-core property divestures.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. 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.

## 2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following policies:

### (a) Principles of consolidation

These consolidated financial statements include the accounts of the following subsidiaries incorporated in the US.

	2010	2009
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 consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant accounts that require estimates relate to the possible impairment of property and equipment and mineral property interests, the useful life of property and equipment, valuation allowances for future income taxes, valuation of investments, valuation of stock-based compensation and warrants in private placements and valuation of asset retirement obligations.

# Strathmore Minerals Corp.

## Notes to the consolidated financial statements

December 31, 2010 and 2009

(expressed in Canadian dollars)

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(c) *Cash and cash equivalents*

Cash and cash equivalents include cash and those short-term, highly liquid investments that are readily convertible to cash. Cash and cash equivalents are recorded at fair value and are classified as held for trading.

(d) *Short-term investments*

Short-term investments primarily 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. Short-term investments were designated by the Company on initial recognition as held-for-trading and are measured at fair market value. Gains and losses are recognized in the consolidated statements of operations.

(e) *Investments*

Investments were designated by the Company on initial recognition as available-for-sale financial instruments and are measured at fair value with changes in fair value recorded in accumulated other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income (loss).

(f) *Property and equipment*

Property and equipment is recorded at cost, net of accumulated amortization and amortization is calculated using the declining-balance method, unless otherwise noted, at the following annual rates:

Geological equipment	20%
Vehicles	30%
Office equipment	20%
Computer equipment	30%
Computer software	50%
Leasehold improvements	5 year straight-line
Building	4%

(g) *Mineral property interests and deferred exploration costs*

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

# Strathmore Minerals Corp.

Notes to the consolidated financial statements

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included in net income (loss). Exploration management fee income from mineral property option agreements are recorded in the consolidated statements of operations. The recorded costs of mineral property interests and deferred exploration costs are based on cash paid and the value of share considerations issued for mineral property interest acquisitions and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

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. The Company's determination for impairment is based on: (i) whether the exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; (ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or (iii) whether remaining lease terms are sufficient to conduct necessary studies or exploration work. The Company's assessment of the carrying value of mineral properties and related exploration expenditures is based on management's assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. The fair values were determined using a variety of valuation methods, the selection of which was based on which was considered most applicable to each property. The assessment of the carrying value and determination of these fair values is subject to significant measurement uncertainty and further material write-downs of these assets could occur if actual results differed from the estimates and assumptions used and/or if alternative valuation methods were applied. As at December 31, 2010, the Company believes that sufficient impairment charges relating to the mineral property interests and deferred exploration costs have been recorded.

(h) *Foreign currency translation*

The Company's subsidiaries are integrated foreign operations and are translated into the CAD dollar equivalent using the temporal method. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the time of the transaction. Exchange gains and losses arising on translation are included in the consolidated statements of operations.

(i) *Asset retirement obligations*

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any material asset retirement obligations.

# Strathmore Minerals Corp.

Notes to the consolidated financial statements

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(j) *Stock-based compensation*

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. The fair value of stock-based compensation to non-employees is periodically re-measured 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 stock-based compensation to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Any consideration paid by the option holders to purchase shares is credited to share capital.

(k) *Income taxes*

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

(l) *Earnings (loss) per share*

Basic income (loss) per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated using the treasury method which requires the calculation of diluted earnings per share by assuming 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) *Financial instruments and comprehensive income*

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the consolidated balance sheets 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) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income (loss);
- (ii) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income (loss); and

# Strathmore Minerals Corp.

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(expressed in Canadian dollars)

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(iii) loans and receivables, held-to-maturity investments and other financial liabilities, are measured at amortized cost.

The Company designated its cash and cash equivalents, short-term investments and restricted cash as held-for-trading, which are measured at fair value. Amounts receivable and income taxes receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Investments are designated as available-for-sale and carried at fair value, with the unrealized gain or loss recorded in shareholders' equity as a component of other comprehensive income. These amounts will be reclassified from accumulated other comprehensive income to net loss when they are sold or when an other than temporary impairment is recognized.

Transaction costs directly attributable to the acquisition or issuance of financial instruments are recognized in net income (loss) in the year incurred.

The classification of fair value measurements is based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level within which the fair value measurement is categorized is based upon the lowest level of input that is significant to the measurement. Level inputs are as follows:

Level 1 – quoted prices in active markets for identical securities

Level 2 – significant observable inputs other than quoted prices included in Level 1

Level 3 – significant unobservable inputs

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

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

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

Under Section 1582, business combinations are accounted for under the "acquisition method", compared to the "purchase method" previously required by Section 1581. The significant changes that result from applying the acquisition method of Section 1582 include: (i) the definition of a business is broadened to include development stage entities, and therefore more acquisitions are accounted for as business combinations rather than asset

# Strathmore Minerals Corp.

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acquisitions; (ii) the measurement date for equity interests issued by the acquirer is the acquisition date instead of a few days before and after terms are agreed to and announced, which may significantly change the amount recorded for the acquired business if share prices differ from the agreement and announcement date to the acquisition date; (iii) all future adjustments to income tax estimates are recorded as income tax expense or recovery, whereas under Section 1581, certain changes in income tax estimates were recorded to goodwill; (iv) acquisition-related costs, other than costs to issue debt or equity securities, of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred, whereas under Section 1581, these costs were capitalized as part of the cost of the business combination; (v) the assets acquired and liabilities assumed are recorded at 100% of fair value even if less than 100% is obtained, whereas under Section 1581, only the controlling interest's portion was recorded at fair value; and (vi) non-controlling interests are recorded at their proportionate share of fair value of identifiable net assets acquired, whereas under Section 1581, non-controlling interests were recorded at their share of carrying value of net assets acquired.

Under Section 1602, non-controlling interest are measured at 100% of the fair value of identifiable net assets acquired. For presentation and disclosure purposes, non-controlling interests are classified as a separate component of equity. In addition, Section 1602 changes the manner in which increases and decreases in ownership percentages are accounted for. Changes in ownership percentages are recorded as equity transactions and no gain or loss is recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Under Section 1602, accumulated losses attributable to non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interests could have a negative carrying amount. The provisions of Section 1602 have been applied prospectively with the exception of the presentation and disclosure provisions, which have been applied for all prior periods presented in the financial statements. The presentation and disclosure provisions of 1602 resulted in the classification of non-controlling interests as a separate component of equity on the consolidated balance sheets amounting to \$6,610,180 as at December 31, 2010 (December 31, 2009 - \$5,058,196).

The adoption of CICA 1582 and 1601 did not result in a material impact on the Company's consolidated financial statements.

(o) *Recent accounting pronouncements*

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

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2011 with restatement of comparable information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency and

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hedging activities, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements. The Company is continuing to invest in training and additional resources to ensure a timely conversion. The Company has completed its IFRS diagnostic plan and its IFRS conversion plan which outlines the steps required to complete for the transition to IFRS. The Company is currently working on the IFRS conversion.

(p) *Comparative figures*

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 3. Restricted cash and cash equivalents

The Company has \$342,679 in term deposits (December 31, 2009 - \$101,022) which are being held to guarantee credit cards, and performance bonds for compliance with environmental laws.

### 4. Short-term investments

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

Fair Value December 31	2010	2009
	\$	\$
Guaranteed investment certificates	-	2,665,000
Common shares of Peninsula Minerals Limited ("Peninsula")	-	201,990
Common shares of Bayswater Uranium Corporation ("Bayswater")	<b>3,166,168</b>	-
	<b>3,166,168</b>	2,866,990

The Company has determined the fair value of its common share short-term investments based on level 1 quoted market prices. During the first quarter of 2010, the Company sold its Peninsula shares and recorded \$20,202 gain on disposal. During the fourth quarter of 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 7 (b)(ii)). The unrealized gain of \$1,042,030 on the 4,007,807 remaining Bayswater shares reflects the increased market value at year end.

# Strathmore Minerals Corp.

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## 5. Investments

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

December 31	2010	2009
	\$	\$
Yellowcake Mining Inc. ("Yellowcake")	192,460	81,010
American Uranium Corporation ("American Uranium")	12,970	13,650
	<b>205,430</b>	<b>94,660</b>

The Company views these securities as being thinly traded. Significant observable inputs other than quoted prices in level 1 are used to determine fair value under level 2. Fair value is determined by applying discount rates observed from the issuer's most recent equity financing.

During the year ended December 31, 2010, the Company recorded a \$67,923 net gain (2009 – \$63,490 net loss) in the statement of comprehensive income (loss).

## 6. Property and equipment

	December 31, 2010		
	Cost	Accumulated Amoritzation	Net Book Value
	\$	\$	\$
Geological equipment	139,527	80,657	58,870
Vehicles	461,871	315,511	146,360
Office equipment	292,905	161,305	131,600
Computer equipment	234,637	163,403	71,234
Computer software	145,249	122,833	22,416
Leasehold improvements	356,513	256,342	100,171
Building	486,005	65,756	420,249
Land	370,703	-	370,703
	<b>2,487,410</b>	<b>1,165,807</b>	<b>1,321,603</b>

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Geological equipment	139,527	65,939	73,588
Vehicles	442,730	254,539	188,191
Office equipment	292,905	128,405	164,500
Computer equipment	219,691	137,103	82,588
Computer software	125,361	103,406	21,955
Leasehold improvements	356,513	185,039	171,474
Building	486,005	48,245	437,760
Land	370,703	-	370,703
	<b>2,433,435</b>	<b>922,676</b>	<b>1,510,759</b>

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## 7. Mineral property interests

December 31, 2010	Roca Honda Property	Nose Rock/ Crown Point Property	Marquez Property	Church Rock Property	Gas Hills Properties	Pine Tree/ Reno Creek Property	Sky/Cedar Rim Property	Other Properties	Total Property Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>									
Balance, beginning of year	498,970	652,022	1,367,454	291,195	871,789	-	-	542,216	<b>4,223,646</b>
Additions	-	-	258,775	-	567,794	129,930	-	20,621	<b>977,120</b>
Recoveries	-	-	-	-	-	(129,930)	-	-	<b>(129,930)</b>
Write-down	-	-	-	-	-	-	-	-	<b>-</b>
Balance, end of year	498,970	652,022	1,626,229	291,195	1,439,583	-	-	562,837	<b>5,070,836</b>
<b>Exploration costs</b>									
Balance, beginning of year	12,041,055	268,827	67,115	2,274,730	2,819,908	-	995,586	339,769	<b>18,806,990</b>
Incurred during the year									
Administration	234,973	165	5,966	379	9,541	33,859	24	11,954	<b>296,861</b>
Drilling	993,505	-	-	-	333,014	-	8,432	-	<b>1,334,951</b>
Engineering	861,496	-	-	-	90,539	-	-	1,634	<b>953,669</b>
Feasibility study	413,185	-	-	-	-	-	-	-	<b>413,185</b>
Geology & Geophysics	101,261	1,124	9,311	417	91,631	193	-	237	<b>204,174</b>
Property maintenance fees	17,669	25,315	848	15,292	256,143	504	7,371	143,295	<b>466,437</b>
Permitting/Regulatory	1,195,974	-	-	-	242,264	6,224	195	1,127	<b>1,445,784</b>
Personnel time	60,517	-	-	-	-	-	-	-	<b>60,517</b>
Quality assurance	866	-	-	-	-	-	-	-	<b>866</b>
Travel	513	-	-	-	-	9,980	-	-	<b>10,493</b>
	3,879,959	26,604	16,125	16,088	1,023,132	50,760	16,022	158,247	<b>5,186,937</b>
Sale of properties	-	-	-	-	-	-	-	(68,632)	<b>(68,632)</b>
Cost recoveries	-	-	-	-	-	(50,760)	-	-	<b>(50,760)</b>
Write-down	-	-	-	-	-	-	-	(2,438)	<b>(2,438)</b>
Balance, end of year	15,921,014	295,431	83,240	2,290,818	3,843,040	-	1,011,608	426,946	<b>23,872,097</b>
<b>Total costs</b>	<b>16,419,984</b>	<b>947,453</b>	<b>1,709,469</b>	<b>2,582,013</b>	<b>5,282,623</b>	<b>-</b>	<b>1,011,608</b>	<b>989,783</b>	<b>28,942,933</b>

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December 31, 2009	Roca Honda Property	Nose Rock/ Crown Point Property	Marquez Property	Church Rock Property	Gas Hills Properties	Pine Tree/ Reno Creek Property	Sky/Cedar Rim Property	Other Properties	Total Property Costs
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>									
Balance, beginning of year	498,970	652,022	1,063,160	397,325	871,789	-	-	2,342,987	5,826,253
Additions	-	-	304,294	-	-	149,587	-	376	454,257
Recoveries	-	-	-	-	-	(149,587)	-	(105,612)	(255,199)
Write-down	-	-	-	(106,130)	-	-	-	(1,695,535)	(1,801,665)
Balance, end of year	498,970	652,022	1,367,454	291,195	871,789	-	-	542,216	4,223,646
<b>Exploration costs</b>									
Balance, beginning of year	10,022,953	223,194	28,576	2,255,094	2,433,754	-	981,884	501,415	16,446,870
Incurred during the year									
Administration	198,376	60	21,390	2,024	4,453	68,541	9	3,255	298,108
Drilling	-	-	-	-	3,986	-	5,261	163	9,410
Engineering	545,525	-	73	129	5,268	4,812	-	14,793	570,600
Geology and geophysics	233,567	4,075	13,500	319	58,444	19,329	50	1,859	331,143
Health and safety	-	-	-	-	70	-	-	-	70
Modelling	95,970	-	-	-	-	-	-	-	95,970
Property maintenance fees	18,773	41,498	2,925	17,164	258,270	141,448	7,905	169,058	657,041
Permitting/regulatory	774,665	-	-	-	55,663	78,393	477	1,298	910,496
Personnel time	102,448	-	651	-	-	-	-	-	103,099
Quality assurance	6,826	-	-	-	-	-	-	-	6,826
Travel	41,952	-	-	-	-	292	-	-	42,244
	2,018,102	45,633	38,539	19,636	386,154	312,815	13,702	190,426	3,025,007
Cost recoveries	-	-	-	-	-	(312,815)	-	(45,204)	(358,019)
Write-down	-	-	-	-	-	-	-	(306,868)	(306,868)
Balance, end of year	12,041,055	268,827	67,115	2,274,730	2,819,908	-	995,586	339,769	18,806,990
<b>Total costs</b>	<b>12,540,025</b>	<b>920,849</b>	<b>1,434,569</b>	<b>2,565,925</b>	<b>3,691,697</b>	<b>-</b>	<b>995,586</b>	<b>881,985</b>	<b>23,030,636</b>

# Strathmore Minerals Corp.

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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.

During the year ended December 31, 2010, the Company's impairment analysis resulted in the write down to fair value of a property. The analysis took into account exploration results to date, and the Company's reduced exploration plans that will focus on the properties which management believes are most likely to provide positive results in a shorter timeframe. Based on the Company's analysis, write-down was recorded during the year totalling \$2,438 (2009 - \$2,108,533).

(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 \$6,610,180 (2009 - \$5,058,196) 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 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

# Strathmore Minerals Corp.

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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.

(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 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-

# Strathmore Minerals Corp.

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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 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.

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

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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 & Mining Corp. in cash and common shares based on an estimated 5,000,000 pounds of uranium:*

<b>Year</b>	<b>Cash US\$</b>	<b>Common shares US\$</b>	<b>Total 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>

## 8. Share capital, stock options, warrants and contributed surplus

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

### (a) *Private placement*

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

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

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option shares exercised during the preceding period beginning January 1, 2004 and not to exceed 36 months.

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

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
		\$		\$
Outstanding, December 31, 2008	5,907,000	0.54	-	-
Granted	100,000	0.55	-	-
Cancelled/forfeited	(135,000)	0.41	-	-
Outstanding, December 31, 2009	5,872,000	0.54	-	-
Granted	3,235,000	0.91	8,469,828	0.75
Exercised	(520,667)	0.44	(718,964)	0.75
Expired	(140,499)	0.50	-	-
Forfeited	(40,834)	0.50	-	-
<b>Outstanding, December 31, 2010</b>	<b>8,405,000</b>	<b>0.69</b>	<b>7,750,864</b>	<b>0.75</b>

The following tables summarize information about outstanding stock options and warrants at December 31, 2010:

*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	120,000	September 26, 2013
4,690,000	0.41	4,690,000	November 10, 2013
1,590,000	0.65	265,001	February 17, 2015
190,000	1.30	-	November 29, 2015
1,350,000	1.17	-	December 23, 2015
<b>8,405,000</b>		<b>5,510,001</b>	

*Warrants:*

	Number Outstanding	Exercise Price	Number Exercisable	Expiry date
		\$		
Broker warrants	384,000	0.75	384,000	January 20, 2012
Warrants	7,366,864	0.75	7,366,864	January 20, 2012
	<b>7,750,864</b>		<b>7,750,864</b>	

# Strathmore Minerals Corp.

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(c) *Stock-based compensation*

During the year ended December 31, 2010, the Company granted 3,235,000 (2009 - 100,000) options to employees, consultants and directors. The stock options are recorded at fair value in the consolidated statements of operations using the Black-Scholes option pricing model. Total stock-based compensation recognized in the consolidated statements of operations during the year ended December 31, 2010 was \$1,046,415 (2009 - \$1,444,102) as a result of options granted and vested. This amount was also recorded as contributed surplus on the balance sheet. The weighted average grant date fair value of options granted was \$0.73 (2009 - \$0.55) per option. The weighted average remaining contractual life for options outstanding at December 31, 2010 is 3.4 years (2009 - 3.8 years).

During the year ended December 31, 2010, the following weighted average assumptions were used for the valuation of stock options:

December 31	2010	2009
Risk free interest rate	<b>1.91%</b>	3.31%
Expected life	<b>3.4 years</b>	4.3 years
Annualized volatility	<b>108%</b>	84%
Dividend rate	<b>0.00%</b>	0.00%

(d) *Earnings and net earnings per share*

Earnings and net earnings per share for the years ended December 31 were calculated based on the following:

December 31	2010	2009
Basic weighted average number of shares outstanding	<b>87,120,970</b>	72,458,911
Effect of dilutive securities:		
Stock options	<b>1,816,214</b>	-
Diluted weighted average number of shares outstanding	<b>88,937,184</b>	72,458,911

The basic and diluted earnings per share for the discontinued operations during the year was \$0.16 (2009 - nil).

The following lists the securities excluded from the computation of diluted earnings and net earnings per share for the year ended December 31, 2010 because the underlying exercise prices exceeded the average market price of the underlying common shares at \$0.72:

December 31	2010	2009
Stock options	<b>2,737,662</b>	-
Warrants	<b>8,469,828</b>	-

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## 9. Supplemental disclosure with respect to cash flows

December 31	2010	2009
	\$	\$
Cash and cash equivalents		
Cash	<b>5,116,484</b>	949,326
Term deposits	<b>15,628,225</b>	167,658
	<b>20,744,709</b>	1,116,984

Year ended December 31	2010	2009
	\$	\$
Changes in non-cash working capital items:		
Increase in receivables	<b>(118,342)</b>	(32,046)
(Increase) decrease in short-term investments	<b>3,225,507</b>	(2,665,000)
Decrease (increase) in prepaid expenses	<b>(125,736)</b>	341,654
Increase in restricted cash and cash equivalents	<b>(241,657)</b>	(101,022)
Increase in accounts payable and accrued liabilities	<b>(442,253)</b>	(109,048)
Increase in income taxes receivable	<b>(1,572,595)</b>	-
Increase in deposit on sale proceeds	-	261,650
Total changes in non-cash working capital items	<b>724,924</b>	(2,303,812)

During the year ended December 31, 2010, the Company paid \$1,572,597 (December 31, 2009- \$Nil) in cash payments for income taxes.

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

- (a) Incurring mineral property expenditures of \$538,343 through accounts payable and accrued liabilities.
- (b) Reclassifying \$1,629,252 to mineral properties from non-controlling interests for reimbursements from the non-controlling interests.
- (c) Reclassifying \$389,509 from share issuance costs to contributed surplus for broker warrants.
- (d) Recognizing \$347,662 of contributed surplus on exercised options and warrants into common shares.

Significant non-cash transactions during the year ended December 31, 2009 include:

- (a) Incurring mineral property expenditures of \$69,033 through accounts payable and accrued liabilities.

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## 10. Related party transactions

Year ended December 31	2010	2009
	\$	\$
Consulting fees to directors	-	8,100
Consulting fees to officers and companies controlled by officers	954,260	559,062
Fees to directors	112,937	98,800
	<b>1,067,197</b>	665,962

Included in accounts payable at December 31, 2010 is \$12,911 (December 31, 2009 - \$Nil) for consulting and directors fees to directors, officers and companies controlled by directors and officers.

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

## 11. Income taxes

A reconciliation of current income taxes at statutory rates, 29% (2009 - 30%), with the reported income taxes is as follows:

Year ended December 31	2010	2009
	\$	\$
Loss before income taxes and discontinued operations	<b>(3,272,637)</b>	(6,288,499)
Expected income tax recovery	<b>(932,701)</b>	(1,886,550)
Tax rate differences	<b>(47,570)</b>	(235,838)
Tax rate changes	<b>(179,875)</b>	462,425
Permanent differences	<b>3,997,146</b>	387,843
Change in valuation allowance	<b>(3,230,073)</b>	293,646
Other comprehensive income	<b>(42,847)</b>	-
Other	<b>1,705,001</b>	978,474
Future income taxes	<b>1,269,081</b>	-
Current income taxes	<b>(5,648,020)</b>	-
	<b>(4,378,939)</b>	-
Future income tax expense included in other comprehensive income	<b>42,847</b>	-
	<b>(4,336,092)</b>	-

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

December 31	2010	2009
	\$	\$
Future income tax assets (liabilities)		
Equipment	179,235	138,226
Mineral properties	1,905,323	3,023,196
Investments	-	(63,526)
Other comprehensive income	-	14,905
Other assets	1,123,588	151,587
Losses	3,489,196	4,694,734
Future income tax assets	6,697,342	7,959,122
Future income tax liabilities	(3,306,135)	-
Valuation allowance	(4,703,135)	(7,959,122)
Net future income tax asset (liability)	(1,311,928)	-

The Company has available approximately \$6,239,731 of non-capital losses available to offset taxable income earned in Canada and \$5,204,192 of non-capital losses to offset taxable income earned in the United States. These losses if unutilized will start to expire in 2024. Subject to certain restrictions, the Company also has capital losses of \$240,160 and resource exploration expenditures of approximately \$7,621,292 in Canada as well as \$6,929,820 of resource exploration expenditures in the United States available to reduce taxable income of future years.

## 12. Segmented information

The Company primarily operates in one reportable operating segment, being the exploration of mineral property interests and considers its income from operations for the year ended December 31, 2010 and its loss from operations for the year ended December 31, 2009 to relate to this segment.

Assets by geographic area are as follows:

	December 31, 2010		December 31, 2009	
	Canada	United States	Canada	United States
	\$	\$	\$	\$
Property and equipment	227,126	1,094,477	310,437	1,200,322
Mineral property interests	-	28,942,933	-	23,030,636
	227,126	30,037,410	310,437	24,230,958

## 13. 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.

# Strathmore Minerals Corp.

Notes to the consolidated financial statements

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## 14. Capital management

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

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

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

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

## 15. Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, restricted cash and cash equivalents, income taxes receivable, amounts receivable, short-term investments, investments and accounts payable and accrued liabilities. For cash and cash equivalents, restricted 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. The fair value of investments represents significant observable inputs other than quoted prices in active markets.

At December 31, 2010, the levels (see note 2(m)) in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the consolidated balance sheets at fair value are categorized as follows: (1) cash and cash equivalents, restricted cash and cash equivalents and short-term investments are categorized in level 1; and (2) investments are categorized in level 2. At December 31, 2010, there were no financial assets or liabilities measured and recognized on the consolidated balance sheets at fair value that would be categorized in level 3 in the fair value hierarchy in note 2(m).

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

### (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

# Strathmore Minerals Corp.

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(expressed in Canadian dollars)

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 and restricted 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 December 31, 2010, 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:

December 31	2010	2009
	\$	\$
Cash and cash equivalents	20,744,709	1,116,984
Restricted cash and cash equivalents	342,679	101,022
Amounts receivable	196,438	78,096
	<b>21,283,826</b>	<b>1,296,102</b>

(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 December 31, 2010, the Company had positive working capital of \$25,112,856. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk.

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

December 31	2010	2009
	\$	\$
Accounts payable and accrued liabilities	1,011,804	984,747
	<b>1,011,804</b>	<b>984,747</b>

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

(c) *Market risk*

Market risk is the risk that the fair value for assets classified as held for trading and available-for-sale or future cash flows for assets or liabilities considered to be held-to-maturity, other financial liabilities, and loans or receivables of a financial

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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 December 31, 2010, a 10% increase or decrease in the market price of the securities held, ignoring any foreign currency risk which is described below, would have resulted in an increase (or decrease) to net income of approximately \$337,160 (December 31, 2009 - \$29,665). The Company is not exposed to interest rate risk, as it does not hold debt balances and is not charged interest on its accounts payable balances.

(d) *Foreign exchange risk*

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

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

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

Amounts in CAD\$	December 31, 2010		December 31, 2009	
	AUD\$	US\$	AUD\$	US\$
Cash and cash equivalent	-	<b>7,360,490</b>	-	869,894
Short-term investments	-	-	201,990	-
Restricted cash and cash equivalents	-	<b>201,804</b>	-	101,022
Amounts receivable	-	<b>535</b>	-	11,082
Investments	-	<b>205,430</b>	-	94,660
Income taxes receivable	-	<b>1,510,045</b>	-	-
Accounts payable and accrued liabilities	-	<b>(953,879)</b>	-	(947,983)
Deposit on sale proceeds	-	-	-	(261,650)
	-	<b>8,324,425</b>	201,990	(132,975)

Based on the above net exposures at December 31, 2010, a 10% depreciation or appreciation in the US dollar against the Canadian dollar would result in a \$832,443 (December 31, 2009 - \$13,298) increase or decrease in the Company's net income (loss). Similarly, a 10% depreciation or appreciation in the AUD dollar against the Canadian dollar would result in a \$Nil (December 31, 2009 - \$20,199) increase or decrease in the Company's net income (loss).

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Notes to the consolidated financial statements

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(expressed in Canadian dollars)

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## **16. Subsequent event**

Subsequent to December 31, 2010, the Company has committed up to \$2,000,000 for a minority interest of a private company which is pursuing coal interests in Mongolia. Closing of the transaction is expected by May 1, 2011.