

**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**STRATHMORE MINERALS CORP.**

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

- Increased worldwide energy demand
- Increased demand for uranium.
- Uranium Demand/Supply Imbalance, resulting in significantly higher uranium prices
- Potential for increased demand from developing countries as they construct new nuclear power plants
- The Company's advanced uranium projects are located in the United States where the domestic annual demand for uranium exceeds 50 million pounds, while production totals approximately 3-4 million pounds per year.

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

This discussion should be read in conjunction with the financial statements and related notes of the Company for the year ended December 31, 2006 (the "Financial Statements"). The information in this Management Discussion and Analysis ("MD&A") contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The information contained in this report is made as of April 16, 2007.

### **Performance Summary and Update**

The Company's primary objective is to locate, evaluate and acquire uranium properties and to finance their exploration and development through equity financing, by way of joint venture, option agreements or other means. The Company's current properties are located in the United States, Canada and Peru.

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

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

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

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

During 2006, the uranium spot price began the year at \$37.50 US/lb. and reached a new all-time high of \$72 US/lb. by the end of the year. Development problems at Cameco's Cigar Lake uranium deposit during the second half of 2006 removed approximately 18-20 million pounds of expected production from the market place, causing the uranium price to surge to the upside. The Company continued to execute its strategy of advancing its core area New Mexico properties towards production. As the Company enters calendar year 2007, exploration and development will continue on the uranium projects discussed herein.

Subsequent to year end the spot price of uranium continued its uptrend to \$113 US/lb, which is the current price at the time of writing. In New Mexico, the Company advanced its second property, Roca Honda, to the permit application stage. The Roca Honda property represents the Company's most significant project with a 43-101 compliant, measured & indicated resource of 17,512,000 lbs U<sub>3</sub>O<sub>8</sub>, and an inferred resource in excess of 15.8 million lbs U<sub>3</sub>O<sub>8</sub>. Additional claims were staked in the Crownpoint-Dalton Pass areas to complement existing projects. The Company's total land holdings in New Mexico now exceed 6,880 hectares (17,000 acres). In Wyoming, the Company continued to acquire claims strategic to its core properties in that State. The Ketchum Buttes property and additional claims in the Shirley Basin Uranium District were staked. Significant claims (Bull Rush, Loco-Lee, George-Ver and Frazier-LeMac) were also added in the Gas Hills Uranium District. Historically, the Gas Hills was the second largest uranium producing region in the United States, with cumulative production exceeding 100 million pounds. In Canada, a first phase drill program was completed at the Company's wholly-owned project at Waterbury Lake in the Athabasca basin. Additional ground geophysical programs were carried out at Davy Lake and Patterson Lake, and airborne geophysical and surface sampling programs have begun on properties owned by the Company in the Western part of the basin. NI 43-101 technical reports were completed for Dieter Lake, Quebec, and subsequent to year end for Sky, (Cedar Rim claims), Wyoming.

## Uranium Resources Summary by Property

The following table updates the Company's uranium resources as of December 31, 2006. Several of the properties listed below have not been discussed on previous occasions, and the Company is pleased to provide an update on the significant uranium assets in the property portfolio. Additions and changes are anticipated over the following year as drilling databases are acquired and analyzed. The table includes NI 43-101 compliant (Measured and Indicated, and Inferred), and historical resources as defined by the results of exploration completed by previous mining companies. The discussion following the table revisits previously released information and adds the new historical resources where appropriate.

Location	Previous Operator	Resource Classification	Tonnage	Grade % U <sub>3</sub> O <sub>8</sub>	lbs/U <sub>3</sub> O <sub>8</sub>
Church Rock, New Mexico	Kerr McGee	NI 43-101 Measured & Indicated	6,221,467	.10	11,848,007
		NI 43-101 Inferred	1,950,560	.09	3,525,342
Roca Honda, New Mexico	Kerr McGee	NI 43-101 Measured & Indicated	3,782,000	.23	17,512,000
		NI 43-101 Inferred	4,546,000	.17	15,832,000
Nose Rock, New Mexico	Phillips Uranium	Historical: Demonstrated	6,694,217	.135	18,230,955
Dalton Pass, New Mexico	Pathfinder	Historical: Demonstrated	3,470,000	.07	4,735,000
		Historical: Inferred	459,000	.085	765,000
Roca Honda North, New Mexico	Kerr McGee	Historical: Demonstrated	86,000	.18	312,000
West Largo, New Mexico Sec. 2 13N 9W (state lease)	Kerr McGee	Historical: Demonstrated	10,000	.16	32,000
Copper Mountain, Wyoming	Rocky Mountain Energy	Historical: Inferred & Indicated	45,570,000	.027	24,607,800
Sky Project, Wyoming	Exxon & Pathfinder	NI 43-101 Indicated	668,688	.07	948,098
		NI 43-101 Inferred	55,086	.05	54,496
Pine Tree, Wyoming	Pathfinder	Historical: Demonstrated	1,947,000	.07	2,646,000
		Historical: Inferred	625,000	.06	750,000
Sec. 36 (Reno Creek) Wyoming	TVA	Historical: Demonstrated	1,300,000	.05	1,300,000
West Reno (Reno Creek) Wyoming	Rocky Mountain Energy	Historical: Demonstrated	3,571,000	.056	4,000,000
SWD Claims Area, Wyoming	Utah International/Pathfinder	Historical: Demonstrated	497,000	.09	944,000
		Historical: Inferred	271,000	.08	400,000

## Uranium Resources Summary by Property (Cont'd....)

Location	Previous Operator	Resource Classification	Tonnage	Grade % U <sub>3</sub> O <sub>8</sub>	lbs/U <sub>3</sub> O <sub>8</sub>
FMC Claim Area, Wyoming	Rocky Mountain Energy	Historical: Demonstrated	1,992,000	.09	3,670,000
Ketchum Buttes, Wyoming	Pathfinder	Historical: Demonstrated	1,135,000	.064	1,454,900
Red Creek, Wyoming	Urangesellschaft	Historical: Inferred	2,750,000	.10	5,500,000
Gas Hills (Bullrush, Loco-Lee, George-Ver), Wyoming	Federal American Partners	Historical: Measured & Indicated	6,131,504	.069	8,440,490
Gas Hills (Frazier LeMac), Wyoming	Pathfinder	Historical: Demonstrated	696,327	.11	1,522,000
Gas Hills, (Jeep), Wyoming	Federal American Partners	Historical: Demonstrated	210,970	.078	329,112
		Historical: Inferred	85,545	.077	133,341
Chord, South Dakota	Union Carbide	Historical: Demonstrated	1,727,000	.11	3,800,000
Dieter Lake, Quebec	Uranerz	NI 43-101: Inferred	19,312,816 tonnes	.063	24,424,306
Duddridge Lake, Sask.	Noranda	NI 43-101: Inferred	357,310 tonnes	.105	753,924

The foregoing historical resource estimates presented in this table were completed prior to the implementation of the NI 43-101 requirement. Given the quality of the historic work completed, the Company believes the resource estimates to be both relevant and reliable. However, a qualified person has not completed sufficient work to classify these historic mineral resources as current mineral resources; and is not treating the historic resources as current. Hence, they should not be relied upon.

### Properties of the Company

Subsequent to year end, the Company announced that it planned to spin-off its Canadian exploration assets into a separately traded public company. In addition, a letter of intent was signed with Yellowcake Mining Inc. announcing the Company's first exploration and development joint venture at its Red Creed-Baggs-Juniper Ridge project in Wyoming.

## Deferred Exploration Costs

For the year ended December 31, 2006, the Company spent \$ 8,375,024 on exploration and development as follows:

	Canada	USA	Peru	Total
As at December 31, 2004	\$ 103,933	\$ 63,716	\$ -	\$ 167,649
Airborne geophysics surveys	1,497,325	-	-	1,497,325
Camp costs	41,534	-	4,573	46,107
Claim fees	38,178	168,188	22,165	228,531
Geologists fees and supplies	418,162	370,852	129,554	918,568
General expenses	16,326	8,074	1,861	26,261
Helicopter rental and equipment fuel	586,482	-	-	586,482
Lab analysis and sampling	38,802	-	-	38,802
NI 43-101 reports	21,334	3,841	-	25,175
Report/map preparation	<u>33,869</u>	<u>606</u>	<u>1,615</u>	<u>36,090</u>
2005 exploration and development	<u>2,692,012</u>	<u>551,561</u>	<u>159,768</u>	<u>3,403,341</u>
As at December 31, 2005	2,795,945	615,277	159,768	3,570,990
Airborne geophysics surveys	2,516,823	-	-	2,516,823
Camp Costs	238,368	-	-	238,368
Claim fees	181,430	514,003	30,276	725,709
Geologists fees & supplies	1,743,786	1,582,897	131,355	3,458,038
General expenses	62,172	130,264	37,633	230,069
Travel	506,005	159,605	30,224	695,834
Helicopter rental & equipment fuel	424,851	494	-	425,345
Lab analysis & sampling	19,990	-	-	19,990
NI 43-101 reports	10,417	-	-	10,417
Report/Map preparation	<u>51,346</u>	<u>2,324</u>	<u>761</u>	<u>54,431</u>
2006 exploration and development	<u>5,755,188</u>	<u>2,389,587</u>	<u>230,249</u>	<u>8,375,024</u>
As at December 31, 2006	<u>\$ 8,551,133</u>	<u>\$ 3,004,864</u>	<u>\$ 390,017</u>	<u>\$11,946,014</u>

## Results of Operations

For the year ended December 31, 2006, general and administrative expenses increased from \$2,360,139 in 2005 to \$3,683,424 in 2006, as the activity of the Company increased significantly as it expanded to take advantage of rising uranium prices. The Company expects general and administrative expenses to continue to increase as the Company becomes more active in all geographic regions and hires additional employees. (See the financial statements dated December 31, 2006 for a complete listing) The Company now maintains 3 full-time offices. Headquartered in Kelowna, British Columbia, the Company also has an exploration and development office Riverton, Wyoming and a mine development office Santa Fe, New Mexico.

### Selected Annual Information

	2006	2005	2004
Loss for the year	\$(2,310,688)	\$(1,622,502)	\$(1,994,210)
Total assets	53,490,354	30,770,777	12,057,343
Total liabilities	724,055	185,647	74,733
Shareholders' equity	52,766,299	30,585,130	11,982,610
Basic and diluted loss per share	(0.03)	(0.03)	(0.08)

### Summary of Quarterly Results

		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
<b>2005</b>	Net Income (loss)	(218,878)	(557,802)	(385,489)	(460,333)
	Net Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
<b>2006</b>	Net Income (loss)	(500,780)	(745,149)	(137,342)	(927,417)
	Net Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

### Liquidity

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

## **Financing, Principal Purposes and Milestones**

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

In October, 2005, the Company issued 114,286 units at \$1.75 per unit for gross proceeds of \$200,001. Each unit consists of one common share and one half of one share purchase warrant exercisable at \$2.00 per share until October 26, 2007.

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

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

## **Capital Resources**

For the year ended December 31, 2006, the Company had not entered into any property option agreement that require the Company to meet certain yearly exploration expenditure requirements.

## **Outstanding Share Data**

As at April 16, 2007, the Company has 72,170,623 common shares issued and outstanding. The Company also has 3,911,000 incentive stock options ranging in exercise price from \$1.50 to \$3.00 per share and 541,325 share purchase warrants ranging in exercise price from \$2.00 or \$3.25 per share.

## **Transactions with Related Parties**

During the year ended December 31, 2006, the Company paid or accrued management consulting fees in the amount of \$135,581 to a company controlled by Devinder Randhawa, the Chief Executive Officer of the Company. Management consulting fees of \$122,415 were paid or accrued to a company controlled by a director, Steven Khan, for services provided to the Company. David Miller, the President and Chief Operating Officer, received \$155,034 for his services. Bob Hemmerling, the Secretary of the Company, received \$84,000 for his services. Patrick Groening, the Chief Financial Officer, received \$84,000 for his services. In addition, Directors' fees in the amount of \$28,500, \$13,500, \$29,000, \$14,000 and \$31,000 were paid to Devinder Randhawa, David Miller, Dieter Krewedl, Steven Khan, and Mike Halvorson, respectively.

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.

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

## **Fourth Quarter**

During the fourth quarter, there were no significant events or transactions. The Company did not have any extraordinary items, year-end adjustments or dispositions.

## **Financial Instruments**

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

## CHANGE IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

### *Financial instruments*

Effective January 1, 2007 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) under CICA Handbook Section 1530 “Comprehensive Income” (“Section 1530”), Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement” (“Section 3855”), Section 3861 “Financial Instruments – Disclosure and Presentation” and Section 3865 “Hedges”. These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company is required to classify its cash and cash equivalents, short term investments, receivables, accounts payable and accrued liabilities amounts due to related parties.

## **Disclosure Controls and Procedures**

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of December 31, 2006 and concluded that the current disclosure controls and procedures are effective.

During Fiscal 2006, the Company made changes to its systems of internal controls that did not materially affect internal control over financial reporting.

## **Subsequent Events**

Subsequent to December 31, 2006, the Company:

- a) Issued 1,434,075 common shares for proceeds of \$3,609,318 pursuant to the exercise of stock options and warrants.
- b) Issued 100,000 common shares pursuant to the acquisition of mineral property interests.
- c) On January 29, 2007, entered into a letter of intent ("LOI") with Yellowcake Minerals Inc. ("Yellowcake") to option an 80% interest in the Company's Red Creek property in Wyoming. Pursuant to the LOI, the Company will receive 9,000,000 common shares of Yellowcake, US\$500,000 in cash over five years, and Yellowcake will incur a total of US\$8,000,000 in exploration expenditures over five years on the property. Upon spending \$4,000,000 in exploration expenditures, Yellowcake will have earned a 40% interest. The Company will maintain a 3% NSR on the optioned portion on all future production. Further, the Company agreed to option a 50% interest in their Texas database to Yellowcake for consideration of US\$25,000, Yellowcake incurring US\$440,000 evaluating the database, and if a suitable target is identified, Yellowcake will incur the first US\$500,000 in costs to acquire any mining leases.
- d) On February 14, 2007, granted an exclusive right to an undisclosed corporation to negotiate a joint venture agreement to develop its Roca Honda project and construct a uranium mill in the Grants Mineral Belt of New Mexico. Pursuant to the Exclusivity Agreement, the undisclosed party paid \$US100,000 and has 90 days to negotiate a joint venture agreement with the Company.

### **Subsequent Events (Cont'd...)**

- e) On April 10, 2007, entered into a letter of intent with Yellowcake Minerals Inc. to finance the development of the Company's Sky project. Pursuant to the LOI, Yellowcake will provide US\$7,500,000 in development expenditures to earn a 60% interest in the Sky project over a period of 4 years.
  
- f) On April 19, 2007, entered into a binding letter of intent with Yellowcake Minerals Inc. to form a joint venture to explore and develop the Company's Jeep property. Yellowcake will be granted the exclusive right to earn a 60% interest in the Jeep property upon spending US\$10,000,000 in stages on expenditures towards the project. Pursuant to the completion of Yellowcake's required expenditures, the Company will hand over all operating rights to Yellowcake; however, the Company will retain the right to earn back an additional 11% undivided interest in the property up to 90 days after receiving a Bankable Feasibility Report by reimbursing Yellowcake's expenditures on the property.

**STRATHMORE MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

## AUDITORS' REPORT

To the Shareholders of  
Strathmore Minerals Corp.

We have audited the consolidated balance sheets of Strathmore Minerals Corp. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

February 16, 2007

A Member of **SC INTERNATIONAL**

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**YEAR ENDED DECEMBER 31**

	2006	2005
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 5,299,908	\$ 12,143,821
Short term investments (Note 3)	27,412,579	9,001,064
Receivables	407,910	240,244
Prepaid expenses	<u>30,593</u>	<u>26,651</u>
	33,150,990	21,411,780
<b>Property and equipment</b> (Note 4)	690,904	208,229
<b>Mineral property interests</b> (Note 5)	7,702,446	5,579,778
<b>Deferred exploration costs</b> (Note 6)	<u>11,946,014</u>	<u>3,570,990</u>
	<u>\$ 53,490,354</u>	<u>\$ 30,770,777</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 708,606	\$ 171,356
Due to related parties (Note 9)	<u>15,449</u>	<u>14,291</u>
	<u>724,055</u>	<u>185,647</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	69,061,053	41,299,968
Subscriptions received in advance	-	3,600
Contributed surplus (Note 7)	1,591,993	4,857,621
Deficit	<u>(17,886,747)</u>	<u>(15,576,059)</u>
	<u>52,766,299</u>	<u>30,585,130</u>
	<u>\$ 53,490,354</u>	<u>\$ 30,770,777</u>

**Nature of operations** (Note 1)

**Subsequent events** (Note 13)

**On behalf of the Board:**

“Dev Randhawa”

Director

“Michael Halvorson”

Director

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

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
**YEAR ENDED DECEMBER 31**

	2006	2005
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and promotion	\$ 90,532	\$ 70,154
Amortization	64,749	43,046
Business development	111,876	96,636
Consulting fees	819,123	654,100
Investors relations	24,858	110,718
Office and miscellaneous	171,744	222,318
Professional fees	370,419	132,637
Property investigation costs	126,289	-
Regulatory fees	37,958	16,384
Rent	60,706	47,581
Shareholder communications	47,287	9,329
Short term investment fees	92,127	3,061
Stock-based compensation (Note 7)	731,026	476,610
Telephone	41,414	37,031
Transfer agent	17,791	16,105
Trade shows and conferences	379,389	229,792
Travel	47,644	36,009
Wages and benefits	<u>448,492</u>	<u>158,628</u>
<b>Loss before other items</b>	<b>(3,683,424)</b>	<b>(2,360,139)</b>
<b>OTHER ITEMS</b>		
Investment income	1,393,310	365,930
Allowance for decline in investments (Note 3)	<u>(20,574)</u>	<u>(4,817)</u>
<b>Loss before income taxes</b>	<b>(2,310,688)</b>	<b>(1,999,026)</b>
Future income tax recovery (Note 10)	<u>-</u>	<u>376,524</u>
<b>Loss for the year</b>	<b>(2,310,688)</b>	<b>(1,622,502)</b>
<b>Deficit, beginning of year</b>	<u><b>(15,576,059)</b></u>	<u><b>(13,953,557)</b></u>
<b>Deficit, end of year</b>	<u><b>\$ (17,886,747)</b></u>	<u><b>\$ (15,576,059)</b></u>
<b>Basic and diluted loss per common share</b>	<u><b>\$ (0.03)</b></u>	<u><b>\$ (0.03)</b></u>
<b>Weighted average number of common shares outstanding</b>	<u><b>66,314,107</b></u>	<u><b>53,550,088</b></u>

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

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (2,310,688)	\$ (1,622,502)
Items not affecting cash		
Amortization	64,749	43,046
Allowance for decline in investments	20,574	4,817
Stock-based compensation	731,026	476,610
Future income taxes	-	(376,524)
Property investigation costs	126,289	-
Changes in non-cash working capital items:		
Increase in receivables	(167,666)	(205,678)
Increase in short term investments	(18,432,089)	(9,005,881)
Increase in prepaid expenses	(3,942)	(13,335)
(Decrease) increase in accounts payable and accrued liabilities	40,641	(12,247)
Increase in due to related parties	<u>1,158</u>	<u>3,343</u>
Cash used in operating activities	<u>(19,929,948)</u>	<u>(10,708,351)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred exploration costs	(7,878,415)	(3,283,523)
Property and equipment purchased	(547,424)	(181,217)
Mineral property interests	<u>(41,957)</u>	<u>(513,300)</u>
Cash used in investing activities	<u>(8,467,796)</u>	<u>(3,978,040)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subscriptions received in advance	-	3,600
Share issuance costs	(684,014)	(1,158,352)
Capital stock issued	<u>22,237,845</u>	<u>18,901,938</u>
Cash provided by financing activities	<u>21,553,831</u>	<u>17,747,186</u>
<b>Change in cash and equivalents during the year</b>	<b>(6,843,913)</b>	<b>3,060,795</b>
<b>Cash and equivalents, beginning of year</b>	<b><u>12,143,821</u></b>	<b><u>9,083,026</u></b>
<b>Cash and equivalents, end of year</b>	<b><u>\$ 5,299,908</u></b>	<b><u>\$ 12,143,821</u></b>

Supplemental disclosure with respect to cash flows (Note 8)

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

**STRATHMORE MINERALS CORP.**  
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**1. NATURE OF OPERATIONS**

Strathmore Minerals Corp. (the "Company") is incorporated under the laws of the Province of British Columbia and is considered to be in the exploration stage.

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 and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Peruran S.A. (incorporated under the laws of Peru), and Strathmore Resources (US) Ltd. (incorporated under the laws of Nevada, USA). Significant inter-company balances and transactions are eliminated on consolidation.

**Use of estimates**

The preparation of 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 financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

**Cash and equivalents**

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**Short term investments**

Short term investments are recorded at the lower of cost or market value on an aggregate basis.

**Property and equipment**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral property interests and deferred exploration costs**

The Company records mineral property interests, which consist of the right to explore for mineral deposits, at cost. 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, 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.

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. Management's determination for impairment is based on: i) whether the Company's 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 insufficient to conduct necessary studies or exploration work. As at December 31, 2006 and 2005, management believes that no impairment relating to the mineral property interests and deferred exploration costs was required.

The recorded cost of mineral property interests and deferred exploration costs is 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.

**Foreign currency translation**

The Company's subsidiaries are integrated foreign operations and are translated into the Canadian dollar equivalent using the temporal method. The 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 statement of operations.

**Flow-through common shares**

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders.

When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**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 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.

**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. Any consideration paid by the option holders to purchase shares is credited to capital stock.

**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.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of shares outstanding during the year.

**Comparative figures**

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

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**3. SHORT TERM INVESTMENTS**

Short term investments are comprised of the following:

	2006	2005
Canadian bond funds	\$ 20,325,270	\$ 2,986,357
Canadian short term investment fund	<u>7,087,309</u>	<u>6,014,707</u>
	<u>\$ 27,412,579</u>	<u>\$ 9,001,064</u>

As at December 31, 2006, short term investments have an aggregate market value of \$27,412,579 (2005 - \$9,001,064). During fiscal 2006, the Company recorded an allowance for decline of \$20,574 (2005 - \$4,817) to reflect the market value of the investments.

**4. PROPERTY AND EQUIPMENT**

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 108,821	\$ 38,371	\$ 70,450	\$ 91,121	\$ 24,142	\$ 66,979
Geological equipment	132,430	19,090	113,340	43,276	7,471	35,805
Leasehold improvements	65,114	17,413	47,701	55,817	5,936	49,881
Land	370,703	-	370,703	-	-	-
Computer equipment	105,239	55,092	50,147	88,758	35,783	52,975
Computer software	<u>48,343</u>	<u>9,780</u>	<u>38,563</u>	<u>4,254</u>	<u>1,665</u>	<u>2,589</u>
	<u>\$ 830,650</u>	<u>\$ 139,746</u>	<u>\$ 690,904</u>	<u>\$ 283,226</u>	<u>\$ 74,997</u>	<u>\$ 208,229</u>

**5. MINERAL PROPERTY INTERESTS**

	2006	2005
Athabasca property, Canada	\$ 459,702	\$ 459,702
Chord property, USA	137,282	137,282
Comstock property, Canada	494,271	297,271
Dieter Lake property, Canada	618,792	421,792
Duddridge Lake property, Canada	382,245	191,245
Fort Mcleod property, Canada	299,071	34,070
New Mexico properties, USA	1,720,833	1,272,616
Staked properties, Canada	831,260	798,153
Staked properties, Peru	69,580	69,580
Wyoming properties, USA	2,689,410	1,615,698
Pre-acquisition property costs	<u>-</u>	<u>282,369</u>
	<u>\$ 7,702,446</u>	<u>\$ 5,579,778</u>

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

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.

**Athabasca property, Canada**

The Company acquired a 100% interest in a uranium property located in Alberta, Canada, by paying \$98,192, incurring additional costs of \$29,510 and issuing 200,000 common shares valued at \$332,000. The property is subject to a 0.75% net smelter returns royalty on certain mineral production and a 4% gross over riding royalty on all diamond production from the property.

**Chord property, USA**

The Company acquired a 100% interest in a uranium property located in South Dakota, USA, by paying \$48,640. During fiscal 2003, the Company amended the terms of the lease agreement for consideration of 100,000 shares of the Company valued at \$56,000 and incurred additional fees of \$6,468. To earn its interest, the Company is required to make annual payments of either 50,000 common shares or US\$10,000 per year to July 1, 2009. In fiscal 2006, the Company paid \$14,381 (US\$10,000) (2005 - \$12,558 (US\$10,000)). The property is subject to a 2% gross royalty.

**Comstock property, Canada**

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

**Dieter Lake property, Canada**

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

**Duddridge Lake property, Canada**

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

**Fort Mcleod property, Canada**

The Company acquired an option to purchase a 100% interest in certain claims located in Alberta, Canada, by paying \$34,071 for staking costs and issuing 100,000 shares valued at \$265,000. To earn its interest, the Company is required to issue an additional 100,000 common shares.

**New Mexico properties, USA**

The Company acquired a 100% interest in certain claims located in New Mexico, USA, by paying \$293,752, incurring additional costs of \$318,581 and issuing 600,000 common shares valued at \$1,108,500. Certain claims are subject to a 1% royalty.

**STRATHMORE MINERALS CORP.**  
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**5. MINERAL PROPERTY INTERESTS (cont'd...)**

**Staked properties, Canada**

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

**Staked properties, Peru**

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

**Wyoming properties, USA**

The Company acquired a 100% interest in certain claims located in Wyoming, USA by paying \$87,560, incurring additional costs of \$403,100 and issuing 1,150,000 common shares valued at \$2,198,750.

**Pre-acquisition property costs**

The pre-acquisition property costs represent expenditures related to mineral property interests prior to implementation of the acquisition. These costs will be added to the mineral property interest costs to which they relate on completion of the acquisition or written-off to operations should the acquisition not proceed.

**6. DEFERRED EXPLORATION COSTS**

	Canada	USA	Peru	Total
As at December 31, 2004	\$ 103,933	\$ 63,716	\$ -	\$ 167,649
Airborne geophysics surveys	1,497,325	-	-	1,497,325
Camp costs	41,534	-	4,573	46,107
Claim fees	38,178	168,188	22,165	228,531
Geologists fees and supplies	418,162	370,852	129,554	918,568
General expenses	16,326	8,074	1,861	26,261
Helicopter rental and equipment fuel	586,482	-	-	586,482
Lab analysis and sampling	38,802	-	-	38,802
NI 43-101 reports	21,334	3,841	-	25,175
Report/map preparation	<u>33,869</u>	<u>606</u>	<u>1,615</u>	<u>36,090</u>
As at December 31, 2005	2,795,945	615,277	159,768	3,570,990
Airborne geophysics surveys	2,516,823	-	-	2,516,823
Camp costs	238,368	-	-	238,368
Claim fees	181,430	514,003	30,276	725,709
Geologists fees and supplies	1,743,786	1,582,897	131,355	3,458,038
General expenses	62,172	130,264	37,633	230,069
Travel	506,005	159,605	30,224	695,834
Helicopter rental and equipment fuel	424,851	494	-	425,345
Lab analysis and sampling	19,990	-	-	19,990
NI 43-101 reports	10,417	-	-	10,417
Report and map preparation	<u>51,346</u>	<u>2,324</u>	<u>761</u>	<u>54,431</u>
As at December 31, 2006	\$ 8,551,133	\$ 3,004,864	\$ 390,017	\$ 11,946,014

**STRATHMORE MINERALS CORP.**  
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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited number of common shares, without par value			
Issued			
As at December 31, 2004	36,241,257	\$ 23,457,405	\$ 2,420,262
Private placements	10,144,286	12,752,584	2,505,917
Exercise of options	887,000	466,080	(169,381)
Exercise of warrants	7,082,971	4,280,507	(875,269)
Acquisition of mineral property interests	1,400,000	2,377,750	-
Stock-based compensation	-	-	476,610
Share issuance costs	-	(1,657,834)	499,482
Tax benefits renounced to flow through share subscribers	-	(376,524)	-
As at December 31, 2005	55,755,514	41,299,968	4,857,621
Private placements	3,265,950	8,699,795	-
Exercise of options	2,370,000	2,815,678	(884,878)
Exercise of warrants	8,340,084	14,809,977	(3,199,127)
Acquisition of mineral property interests	900,000	2,207,000	-
Stock-based compensation	-	-	731,026
Share issuance costs	-	(771,365)	87,351
As at December 31, 2006	70,631,548	\$ 69,061,053	\$ 1,591,993

Included in issued capital stock are 75,000 common shares subject to an escrow agreement that may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

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

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

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

**STRATHMORE MINERALS CORP.**  
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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

In May, 2006, the Company issued 1,697,300 flow-through shares at \$3.00 per share and 1,568,650 units at \$2.30 per unit for total proceeds of \$8,699,795. Each unit consists of one common share and one half of one share purchase warrant. One whole warrant is exercisable at \$3.25 and expires November 9, 2007. In connection with the placement, the Company paid commissions of \$521,988 in cash and issued 195,957 agents' warrants. Each warrant entitles the Agent to purchase one common share at \$2.55 per share and expires May 9, 2007. The fair value of the agents' warrants, being \$87,351, was determined using the Black-Scholes option pricing model with a volatility of 53%, risk-free interest rate of 4.26%, expected life of 1 year, and a dividend rate of 0%.

**Stock options and warrants**

The Company has a stock option plan whereby, from time to time, at the discretion of the Board of Directors, stock options are granted to directors, officers, employees and certain consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less an applicable discount. The options can be granted for a maximum term of five years with vesting provisions determined by the Board of Directors.

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

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2004	10,081,638	\$ 0.54	3,275,000	\$ 0.68
Granted	6,084,323	1.75	1,600,000	1.69
Exercised	(7,082,971)	0.48	(887,000)	0.33
Expired/cancelled	-	-	(100,000)	1.44
Outstanding, December 31, 2005	9,082,990	1.39	3,888,000	1.16
Granted	980,282	3.11	2,840,000	1.89
Exercised	(8,340,084)	1.39	(2,370,000)	0.81
Expired/cancelled	(2,500)	0.76	(163,000)	1.91
Outstanding, December 31, 2006	1,720,688	\$ 2.53	4,195,000	\$ 1.82
Number currently exercisable	1,720,688	\$ 2.53	1,063,000	\$ 1.89

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

As at December 31, 2006, stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	190,000	\$ 1.75	January 14, 2007
	20,000	2.25	February 8, 2007
	300,000	2.20	April 29, 2007
	125,000	2.50	April 13, 2009
	945,000	1.50	October 6, 2010
	50,000	1.75	June 14, 2011
	1,765,000	1.70	August 31, 2011
	700,000	2.10	October 27, 2011
	<u>100,000</u>	3.00	December 15, 2010
Total	4,195,000		
<b>Warrants</b>	683,263	2.00	February 21, 2007
	195,957	2.55	May 9, 2007
	57,143	2.00	October 26, 2007
	<u>784,325</u>	3.25	November 9, 2007
Total	1,720,688		

**Stock-based compensation**

During fiscal 2006, the Company granted 2,840,000 (2005 – 1,600,000) options to employees, consultants and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations. Total stock-based compensation recognized in the statement of operations during fiscal 2006 was \$731,026 (2005 - \$476,610) as a result of options granted and vested. This amount was also recorded as contributed surplus on the balance sheet. The weighted average fair value of options granted was \$1.09 (2005 - \$0.62) per option.

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

	2006	2005
Risk-free interest rate	4.02%	3.00%
Expected life	3.6 years	2.3 years
Annualized volatility	79%	60%
Dividend rate	0.00%	0.00%

**STRATHMORE MINERALS CORP.**  
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**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2006	2005
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -
Cash and equivalents:		
Cash balances	\$ 5,189,185	\$ 12,032,505
Term deposits	<u>110,723</u>	<u>111,316</u>
	<u>\$ 5,299,908</u>	<u>\$ 12,143,821</u>

Significant non-cash transactions during the year ended December 31, 2006 included:

- Issuing 900,000 (2005 – 1,400,000) common shares valued at \$2,207,000 (2005 – \$2,377,750) pursuant to the acquisition of mineral property interests and issuing 195,957 (2005 – 1,027,180) agents’ warrants valued at \$87,351 (2005 – \$802,026) as finders’ fees on private placements.
- Accruing deferred exploration costs in accounts payable and accrued liabilities of \$616,427 (2005 – \$119,818) at December 31, 2006.
- Issuing 10,000 (2005 – 30,000) common shares for proceeds of \$3,600 (2005 – \$58,500) received in the prior year.

**9. RELATED PARTY TRANSACTIONS**

The Company entered into transactions with related parties as follows:

- Paid or accrued \$290,615 (2005 - \$225,598) for consulting fees to a director and a company controlled by a director.
- Paid or accrued \$290,415 (2005 - \$225,684) for consulting fees to officers of the Company.
- Paid or accrued \$116,000 (2005 - \$NIL) for director’s fees, included in wages, to directors.

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.

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

**STRATHMORE MINERALS CORP.**  
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**10. INCOME TAXES**

A reconciliation of current income taxes at statutory rates with the reported income taxes is as follows:

	2006	2005
Loss before income taxes	\$ (2,310,688)	\$ (1,999,026)
Expected income tax recovery	\$ 834,621	\$ 697,061
Other items not deductible for income tax purposes	(343,052)	(229,573)
Stock-based compensation not deductible for income tax purposes	(264,047)	(166,194)
Recognized (unrecognized) benefits of non-capital losses	<u>(227,522)</u>	<u>75,230</u>
Future income tax recovery	\$ -	\$ 376,524

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

	2006	2005
Future income tax assets:		
Equipment	\$ 61,021	\$ 45,074
Mineral property interests and related exploration expenditures	1,102,853	888,852
Other assets	360,987	434,843
Non-capital losses available for future periods	<u>859,747</u>	<u>1,001,692</u>
	2,384,608	2,370,461
Valuation allowance	<u>(2,384,608)</u>	<u>(2,370,461)</u>
Net future income tax asset	\$ -	\$ -

The Company has available approximately \$2,773,000 of non-capital losses which, if unutilized, will expire through 2026. Subject to certain restrictions, the Company also has capital losses of \$367,000 and resource exploration expenditures of approximately \$23,332,338 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements, and have been offset by a valuation allowance.

During fiscal 2005, the Company renounced certain deductions for Canadian exploration expenditures incurred on the Company's resource properties resulting in a future income tax recovery of \$376,254 and a charge against capital stock.

**11. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment, being the exploration of mineral property interests and considers its loss from operations for fiscal years 2006 and 2005 to relate to this segment.

The Company has mineral property interests located in the USA, Canada and Peru and conducts administrative activities from Canada. The total amount of capital assets attributable to Canada is \$11,979,000 (2005 - \$5,172,337), Peru is \$459,597 (2005 - \$229,348) and the USA is \$7,900,767 (2005 - \$3,957,312).

**12. FINANCIAL INSTRUMENTS**

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

**13. SUBSEQUENT EVENTS**

Subsequent to December 31, 2006, the Company:

- a) Issued 1,434,075 common shares for proceeds of \$3,609,318 pursuant to the exercise of stock options and warrants.
- b) Issued 100,000 common shares pursuant to the acquisition of mineral property interests.
- c) Entered into a letter of intent ("LOI") with Yellowcake Minerals Inc. ("Yellowcake") to option an 80% interest in the Company's Red Creek property in Wyoming. Pursuant to the LOI, the Company will receive 9,000,000 common shares of Yellowcake, US\$500,000 in cash over five years, and Yellowcake will incur a total of US\$8,000,000 in exploration expenditures over five years on the property. Upon spending US\$4,000,000 in exploration expenditures, Yellowcake will have earned a 40% interest. The Company will maintain a 3% NSR on the optioned portion on all future production. Further, the Company agreed to option a 50% interest in their Texas database to Yellowcake for consideration of US\$25,000, Yellowcake incurring US\$440,000 evaluating the database, and if a suitable target is identified, Yellowcake will incur the first US\$500,000 in costs to acquire any mining leases.
- d) On February 14, 2007, granted an exclusive right to an undisclosed corporation to negotiate a joint venture agreement to develop its Roca Honda project and construct a uranium mill in the Grants Mineral Belt of New Mexico. Pursuant to the Exclusivity Agreement, the undisclosed party paid \$US100,000 and has 90 days to negotiate a joint venture agreement with the Company.