

**STRATHMORE MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

## **AUDITORS' REPORT**

To the Shareholders of  
Strathmore Minerals Corp.

We have audited the consolidated balance sheets of Strathmore Minerals Corp. as at December 31, 2004 and 2003 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, 2004 and 2003 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

Chartered Accountants

April 15, 2005

**STRATHMORE MINERALS CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31**

	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 9,083,026	\$ 990,279
Receivables	34,566	75,036
Prepaid expenses	<u>13,316</u>	<u>12,568</u>
	9,130,908	1,077,883
<b>Equipment</b> (Note 3)	70,058	5,869
<b>Mineral property interests</b> (Note 4)	2,688,728	146,983
<b>Deferred exploration costs</b> (Note 5)	<u>167,649</u>	<u>60,008</u>
	<u>\$ 12,057,343</u>	<u>\$ 1,290,743</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 63,785	\$ 48,016
Due to related parties (Note 8)	<u>10,948</u>	<u>-</u>
	<u>74,733</u>	<u>48,016</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	23,457,405	12,624,793
Subscriptions received in advance (Note 12)	58,500	-
Contributed surplus (Note 6)	2,420,262	577,281
Deficit	<u>(13,953,557)</u>	<u>(11,959,347)</u>
	<u>11,982,610</u>	<u>1,242,727</u>
	<u>\$ 12,057,343</u>	<u>\$ 1,290,743</u>

**Nature of operations** (Note 1)  
**Subsequent events** (Note 12)

**On behalf of the Board:**

\_\_\_\_\_ Director \_\_\_\_\_ Director

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

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

	2004	2003
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Amortization	\$ 8,432	\$ 1,821
Business development	96,072	-
Consulting fees	343,388	86,591
Office and miscellaneous	123,378	28,460
Property investigation	75,578	-
Professional fees	77,002	38,853
Regulatory fees	65,589	15,155
Rent	17,767	7,082
Shareholder communications	26,059	2,808
Stock-based compensation (Note 6)	962,297	221,994
Telephone	29,283	4,372
Trade shows and conferences	167,017	19,298
Transfer agent	14,975	8,598
Travel and promotion	53,108	6,836
	<u>(2,059,945)</u>	<u>(441,868)</u>
<b>OTHER ITEMS</b>		
Investment income	65,735	-
Costs recovered	<u>-</u>	<u>9,013</u>
	<u>65,735</u>	<u>9,013</u>
<b>Loss for the year</b>	(1,994,210)	(432,855)
<b>Deficit, beginning of year</b>	<u>(11,959,347)</u>	<u>(11,526,492)</u>
<b>Deficit, end of year</b>	<u>\$ (13,953,557)</u>	<u>\$ (11,959,347)</u>
<b>Basic and diluted loss per share</b>	\$ (0.08)	\$ (0.05)
<b>Weighted average number of shares outstanding</b>	26,140,368	8,346,374

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

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

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,994,210)	\$ (432,855)
Items not affecting cash:		
Amortization	8,432	1,821
Stock-based compensation	962,297	221,994
Changes in non-cash working capital items:		
(Increase) decrease in receivables	40,470	(70,123)
Increase in prepaid expenses	(748)	(9,638)
Increase in accounts payable and accrued liabilities	<u>15,769</u>	<u>36,436</u>
Net cash used in operating activities	<u>(967,990)</u>	<u>(252,365)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equipment purchased	(72,621)	-
Mineral property costs	(1,784,245)	(42,343)
Deferred exploration costs	<u>(107,641)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,964,507)</u>	<u>(42,343)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subscriptions received in advance	58,500	-
Increase (decrease) in due to related parties	10,948	(38,647)
Share issuance costs	(517,591)	(15,000)
Capital stock issued	<u>11,473,387</u>	<u>1,326,850</u>
Net cash provided by financing activities	<u>11,025,244</u>	<u>1,273,203</u>
<b>Increase in cash and equivalents during the year</b>	<b>8,092,747</b>	<b>978,495</b>
<b>Cash and equivalents, beginning of year</b>	<b><u>990,279</u></b>	<b><u>11,784</u></b>
<b>Cash and equivalents, end of year</b>	<b><u>\$ 9,083,026</u></b>	<b><u>\$ 990,279</u></b>

Supplemental disclosure with respect to cash flows (Note 7)

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

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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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, Peruran S.A. (incorporated under the laws of Peru), and Strathmore Resources (US) Inc. (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**

The Company considers short-term debt securities with original maturities of three months or less and other highly liquid investments to be cash equivalents.

**Equipment**

Equipment is recorded at cost and amortization is calculated using the declining-balance method at the following annual rates:

Office equipment	20%
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, 2004 and 2003, 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.

**Cost of maintaining mineral property interests**

The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing.

**Foreign currency translation**

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents 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. To the extent that the future tax liabilities created by the renunciation exceed the future tax assets available, the Company records a reduction in capital stock for the estimated tax benefits transferred to shareholders.

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

**Flow-through common shares (cont'd...)**

Effective March 19, 2004, the Company adopted EIC 146 "Flow-Through Shares" that dictates the accounting treatment on renunciation of the tax deductibility of the qualifying expenditures that give rise to taxable temporary differences. The change in accounting policy was applied prospectively. 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.

**Asset retirement obligation**

CICA Handbook Section 3110 "Asset Retirement Obligations" is effective for years beginning on or after January 1, 2004. This standard requires recognition of a liability at its fair value for the obligation associated with the retirement of a tangible long-lived asset. A corresponding asset retirement cost would be added to the carrying amount of the related asset and amortized to expense over the useful life of the asset. The Company has determined that there are no asset retirement obligations at December 31, 2004.

**Stock-based compensation**

The Company adopted the CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. Effective January 1, 2003, the Company adopted the fair value method whereby the Company recognizes compensation costs 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.

**Comparative figures**

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

**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.

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

**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.

**3. EQUIPMENT**

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 48,254	\$ 12,651	\$ 35,603	\$ 13,555	\$ 9,661	\$ 3,894
Computer equipment	52,003	19,166	32,837	15,833	13,858	1,975
Computer software	1,752	134	1,618	-	-	-
	<u>\$ 102,009</u>	<u>\$ 31,951</u>	<u>\$ 70,058</u>	<u>\$ 29,388</u>	<u>\$ 23,519</u>	<u>\$ 5,869</u>

**4. MINERAL PROPERTY INTERESTS**

	2004	2003
Athabasca property, Canada	\$ 256,702	\$ 9,090
Chord property, USA	124,724	111,108
Comstock property, Canada	130,699	1,612
Dieter Lake property, Canada	15,792	-
Duddridge Lake property, Canada	191,245	-
New Mexico properties, USA	618,265	-
Staked properties, Canada	798,153	-
Staked properties, Peru	69,580	23,561
Wyoming properties, USA	327,516	-
Pre-acquisition property costs	<u>156,052</u>	<u>1,612</u>
	<u>\$ 2,688,728</u>	<u>\$ 146,983</u>

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.

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

**Athabasca property, Canada**

The Company acquired an option to purchase a 100% interest in a uranium property located in Alberta, Canada, by paying \$98,192, incurring additional costs of \$29,510 and issuing 100,000 common shares valued at \$129,000. To earn its interest, the Company is required to issue an additional 100,000 common shares in stages during fiscal 2005. 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 an option to purchase 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 2004, the Company paid \$13,616 (US\$10,000). The property is subject to a 2% gross royalty.

**Comstock property, Canada**

The Company acquired an option to purchase a 100% interest in certain claims located in British Columbia, Canada by issuing 100,000 common shares valued at \$129,000 and incurring additional fees of \$1,699. To earn its interest, the Company is required to issue an additional 200,000 common shares in stages during fiscal 2005.

**Dieter Lake property, Canada**

The Company acquired an option to purchase a 100% interest in certain claims located in Quebec, Canada. To earn its interest, the Company is required to issue 300,000 common shares. 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 an option to purchase a 100% interest in certain claims located in Saskatchewan, Canada by issuing 100,000 common shares valued at \$153,000 and incurring additional fees of \$38,245. To earn its interest, the Company is required to issue an additional 100,000 common shares during fiscal 2005.

**New Mexico properties, USA**

The Company acquired an option to purchase a 100% interest in certain claims located in New Mexico, USA, by paying \$200,625, incurring additional costs of \$224,140 and issuing 150,000 common shares valued at \$193,500. To earn its interest, the Company is required to issue an additional 450,000 common shares in stages over two years. Certain claims are subject to a 1% royalty.

**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, Virgin River, and Waterbury Lake.

**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

**Staked properties, Peru**

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

**Wyoming properties, USA**

The Company acquired an option to purchase a 100% interest in a certain claims located in Wyoming, USA by paying \$50,216, incurring additional costs of \$124,300 and issuing 100,000 common shares valued at \$153,000. To earn its interest, the Company is required to issue an additional 450,000 common shares in stages over two years.

**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.

**5. DEFERRED EXPLORATION COSTS**

	2004			2003		
	USA	Canada	Total	USA	Canada	Total
Balance, beginning of year	\$ 60,008	\$ -	\$ 60,008	\$ 60,008	\$ -	\$ 60,008
General expenditures	3,708	103,933	107,641	-	-	-
Balance, end of year	\$ 63,716	\$ 103,933	\$ 167,649	\$ 60,008	\$ -	\$ 60,008

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized 100,000,000 common shares, without par value			
Issued			
As at December 31, 2002	8,046,548	\$ 11,612,230	\$ -
Shares issued on mineral property acquisition returned to treasury	(100,000)	-	-

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**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

	Number of Shares	Capital Stock	Contributed Surplus
<i>Cont'd...</i>			
Private placements	5,222,229	734,278	415,722
Exercise of options	454,000	123,125	(55,025)
Exercise of warrants	435,000	108,750	-
Acquisition of mineral property interest	100,000	56,000	-
Stock-based compensation	-	-	221,994
Share issuance costs	-	(9,590)	(5,410)
As at December 31, 2003	14,157,777	12,624,793	577,281
Private placements	15,075,088	7,906,381	1,343,679
Exercise of options	250,000	79,698	(36,698)
Exercise of warrants	6,208,392	2,656,557	(476,230)
Agents' warrants	-	-	97,904
Acquisition of mineral property interests	550,000	757,500	-
Stock-based compensation	-	-	962,297
Share issuance costs	-	(567,524)	(47,971)
As at December 31, 2004	36,241,257	\$ 23,457,405	\$ 2,420,262

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 April, 2003, the Company returned 100,000 common shares to treasury. These shares were issued during fiscal 2002 pursuant to the acquisition of mineral property interests that were not completed.

**Private placements**

In November, 2003, the Company issued 2,222,229 units at \$0.18 per unit consisting of one common share and one share purchase warrant for total proceeds of \$400,000. Each warrant entitles the holder to acquire one additional common share at \$0.25 per share expiring November 24, 2005. An estimated fair value of \$140,918 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$7,000 on the private placement.

In December, 2003, the Company issued 3,000,000 units at a price of \$0.25 per unit comprised of 400,000 flow-through units and 2,600,000 non-flow-through units for total proceeds of \$750,000. Each unit consisted of one flow-through or non-flow-through common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at \$0.35 per share expiring December 17, 2005. An estimated fair value of \$274,804 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$8,000 on the private placement.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Private placements (cont'd...)**

In January, 2004, the Company issued 4,767,444 units at \$0.27 per unit consisting of one common share and one share purchase warrant for total proceeds of \$1,287,210. Each warrant entitles the holder to acquire one additional common share at \$0.36 per share expiring January 20, 2006. An estimated fair value of \$417,712 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$23,490 on the private placement.

In February, 2004, the Company issued 1,501,334 units at \$0.60 per unit consisting of one common share and one share purchase warrant for total proceeds of \$900,800. Each warrant entitles the holder to acquire one additional common share at \$0.76 per share expiring February 23, 2006. An estimated fair value of \$299,582 was allocated to the warrants and is included in contributed surplus.

In April, 2004, the Company issued 3,436,167 units at \$0.60 per unit consisting of one common share and one share purchase warrant for total proceeds of \$2,061,700. Each warrant entitles the holder to acquire one additional common share at \$0.76 per share expiring April 16, 2006. An estimated fair value of \$626,385 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$132,803 on the private placement.

In September, 2004, the Company issued 2,857,143 common shares at \$0.70 per share for total proceeds of \$2,000,000. The common shares issued are subject to a hold period that expires on January 27, 2005. The Company paid \$150,000 and issued 142,857 share purchase warrants valued at \$42,357 as finder's fees. Each warrant entitles the holder to acquire one additional common share at \$0.74 per share expiring September 27, 2005.

In November, 2004, the Company issued 2,000,000 common shares at \$1.00 per share for total proceeds of \$2,000,000. The common shares issued are subject to a hold period that expires on March 1, 2005. The Company paid \$120,000 and issued 120,000 share purchase warrants valued at \$55,547 as finder's fees. Each warrant entitles the holder to acquire one additional common share at \$1.08 per share expiring October 29, 2006.

In December, 2004, the Company issued 513,000 flow-through common shares at a price of \$1.95 per share for total proceeds of \$1,000,350. The Company incurred finder's fees of \$55,019 on the private placement.

**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 5 years.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options and warrants (cont'd...)**

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, 2002	1,535,000	\$ 0.25	550,000	\$ 0.25
Granted	5,222,229	0.31	1,304,000	0.19
Exercised	(435,000)	0.25	(454,000)	0.15
Expired/cancelled	-	-	(550,000)	0.25
Outstanding, December 31, 2003	6,322,229	0.30	850,000	0.21
Granted	9,967,801	0.56	2,675,000	0.78
Exercised	(6,208,392)	0.35	(250,000)	0.17
Expired/cancelled	-	-	-	-
Outstanding, December 31, 2004	10,081,638	\$ 0.54	3,275,000	\$ 0.68
Number currently exercisable	10,081,638	\$ 0.54	3,275,000	\$ 0.68

As at December 31, 2004, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	150,000	\$ 0.15	September 12, 2005
	225,000	0.25	November 25, 2005
	225,000	0.27	November 27, 2005
	500,000	0.50	January 9, 2006
	1,375,000	0.60	June 22, 2006
	700,000	1.25	November 3, 2006
	100,000	1.44	November 3, 2006

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**STRATHMORE MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options and warrants (cont'd...)**

	Number of Shares	Exercise Price	Expiry Date
<i>Cont'd...</i>			
<b>Warrants</b>	1,365,614	0.25	November 24, 2005
	1,720,000	0.35	December 17, 2005 <sup>(1)</sup>
	2,229,000	0.36	January 20, 2006 <sup>(1)</sup>
	142,857	0.74	September 27, 2005
	1,278,000	0.76	February 23, 2006
	3,226,167	0.76	April 16, 2006
	120,000	1.08	October 29, 2006

<sup>(1)</sup> The warrants are subject to accelerated expiry in the event that the 10 day average closing price of the Company's common stock is greater than or equal to \$0.75. If the \$0.75 average is achieved, the Company may notify holders of the warrants that the remaining term of the warrants will be shortened to 30 days although the exercise price will remain the same.

**Stock-based compensation**

During fiscal 2004, the Company granted 2,675,000 (2003 – 1,304,000) 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 2004 was \$962,297 (2003 - \$221,994). This amount was also recorded as contributed surplus on the balance sheet.

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

	2004	2003
Risk-free interest rate	2.40 – 3.02%	3.02%
Expected life	1 – 1.5 years	2 years
Annualized volatility	65 - 131%	133%
Dividend rate	0.00%	0.00%

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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**7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

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	2004	2003
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

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During the year ended December 31, 2004, the Company issued 550,000 common shares valued at \$757,500 pursuant to the acquisition of mineral property interests and issued 262,857 warrants valued at \$97,904 as finders' fees on private placements.

During the year ended December 31, 2003, the Company issued 100,000 common shares valued at \$56,000 pursuant to the acquisition of mineral property interests.

**8. RELATED PARTY TRANSACTIONS**

The Company entered into transactions with related parties as follows:

- a) Paid or accrued \$102,087 (2003 - \$77,689) for consulting fees to a director and a company controlled by a director.
- b) Paid or accrued \$ 46,250 (2003 - \$11,000) for consulting fees to the Secretary of the Company.
- c) Pursuant to private placements, issued 200,000 (2003 - 1,213,779) commons shares to directors and a company controlled by a director for total proceeds of \$54,000 (2003 - \$259,000).

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.

Included in receivables at December 31, 2004 is \$Nil (2003 - \$65,625) due from a company controlled by a director of the Company. The amount was repaid to the Company during fiscal 2004.

**STRATHMORE MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**9. INCOME TAXES**

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

	2004	2003
Loss for the year	\$ (1,994,210)	\$ (432,855)
Expected income tax recovery	\$ 709,939	\$ 162,754
Other items not deductible for income tax purposes	(238,476)	(3,622)
Stock-based compensation not deductible for income tax purposes	(342,578)	(83,470)
Unrecognized benefits of non-capital losses	(128,884)	(75,662)
Actual income tax recovery	\$ -	\$ -

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

	2004	2003
Future income tax assets:		
Equipment	\$ 31,704	\$ 28,702
Mineral property interests and related exploration expenditures	735,372	834,152
Other assets	21,360	21,360
Non-capital losses available for future periods	1,181,641	1,396,764
	1,970,077	2,280,978
Valuation allowance	(1,970,077)	(2,280,978)
Net future income tax asset	\$ -	\$ -

The Company has available approximately \$3,345,000 of non-capital losses which, if unutilized, will expire through 2014. Subject to certain restrictions, the Company also has capital losses of \$367,000 and resource exploration expenditures of approximately \$4,457,000 available to reduce taxable income of future years. During the year ended December 31, 2004, the Company issued 513,000 common shares on a flow-through basis for proceeds of \$1,000,350. None of the expenditures have been incurred as at December 31, 2004. Future tax benefits which may arise as a result of the remaining losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

**10. 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 2004 and 2003 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 assets attributable to Canada is \$10,697,489 (2003 - \$1,096,066), Peru is \$69,580 (2003 - \$23,561) and the USA is \$1,290,274 (2003 - \$171,116).

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and equivalents, 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, currency 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.

**12. SUBSEQUENT EVENTS**

Subsequent to December 31, 2004, the Company:

- a) Granted stock options to acquire 250,000 common shares at \$1.75 per share expiring January 14, 2007.
- b) 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.
- c) Issued 10,000,000 units at \$1.50 per unit for 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. 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.
- d) Issued 2,540,469 common shares for proceeds of \$1,619,622 pursuant to the exercise of stock options and warrants.
- e) Acquired options, subject to regulatory approval, to acquire a 100% interest in certain mineral property interests located in Wyoming, USA in exchange for a cash payment of US\$30,000 and the staged issuance of 500,000 common shares over a period of 12 months. Form 51-102F1 MANAG
- f) Issued 575,000 common shares pursuant to the exercise of stock options and warrants in connection with mineral property interests.

**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

**STRATHMORE MINERALS CORP.**

**Strathmore Minerals Corp.** (the "Company") is a junior resource issuer engaged in the acquisition and exploration of uranium and other types of mineral resource properties. Management believes that the development of uranium properties presents an opportunity due to recent uranium supply shortfalls and the potential increase in demand for uranium from developing countries. As those countries begin to establish new nuclear power plants, increased demand for uranium is expected during the next few years. Increased demand and higher prices should stimulate new exploration and development at 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, 2004 (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 22, 2005.

**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 Canada, the United States and Peru.

During the first 2 quarters of 2003, the price of uranium remained low. However, by the third quarter of 2003, the price of uranium had increased to a point where management decided to aggressively pursue the acquisition of new uranium properties in both the United States and Canada. In addition to the Peru property and the Chord Project, the Company has acquired, or negotiated the right to acquire additional properties in New Mexico, Wyoming, Quebec, Alberta and Saskatchewan.

In order to finance these activities, the Company completed a number of private placement financings during the year and raised a total of \$9,250,060. These funds are for general working capital, the acquisition of additional uranium properties and the exploration and development of the Company's uranium properties.

## Properties of the Company

The Company has acquired or announced the acquisition or staking of a number of prospective uranium properties and disclosed historical resource estimates which were completed prior to the implementation of NI 43-101. The following table summarizes these acquisitions and associated historical resource estimates and reports tonnage, grade and pounds. It should be noted that the data reported is based on third party historical reports and such estimates should not be relied upon or considered a defined resource according to NI 43-101.

Location	Reference	Historic Classification	Tonnage			Contained (lbs U <sub>3</sub> O <sub>8</sub> )
				(lbs/tonne)*		
Duddridge Lake, Sask.	Stewart (1975)	Geologic Tonnage Estimate <sup>1</sup>	357,310	2.11	Tons	753,924
	Thor Explorations (1977)	Mineable Tons <sup>1</sup>	320,690	1.84	tonnes	590,070
	Thor Explorations (1979)	Reserves <sup>2</sup>	6,000,000	2.00	tonnes	12,000,000
Dieter Lake, Quebec	Uranerz Expl. & Mining (1980)	Possible Resource <sup>3</sup>	10-15,000,000	5.51	Tons	55-82,000,000
	Uranerz Expl. & Mining (1980)	Possible Resource <sup>3</sup>	50,000,000	2.20	Tons	110,000,000
Macusani, Peru	Arroyo (1987)	Inferred Resource <sup>2</sup>	3,350,000	2.20	tonnes	7,370,000
Roco Honda, New Mexico	Smouse, D. (1993)	Demonstrated Resource <sup>4</sup>	1,826,000	6.20	Tons	11,321,200
	Smouse, D. (1993)	Inferred Resource <sup>4</sup>	234,000	6.40	Tons	1,497,600
	Smouse, D. (1993)	Undefined Potential <sup>4</sup>	125,000	4.00	Tons	500,000
Churchrock, New Mexico	Smouse, D. (1995)	Demonstrated Resource <sup>4</sup>	2,500,909	2.20	Tons	5,502,000
		Potential Resource <sup>4</sup>	227,273	2.20	Tons	500,000
Copper Mountain, Wyoming	Anaconda Uranium Corp. (1997)	Inferred and Indicated Resource <sup>4</sup>	45,570,000 42,240,000	0.54 0.34	tons tons	24,607,800 14,361,600

\*Grade based on 2000 lbs/ton or 2204.62262 lbs/tonne, where appropriate.

<sup>1</sup> Historic resource estimate considered to be relevant and reliable.

<sup>2</sup> Historic resource estimate considered to be relevant but unreliable based on amount of data reviewed to date by the Company.

<sup>3</sup> Historic resource estimate considered to be relevant, but insufficient information is available to confirm the reliability of the resource estimate.

<sup>4</sup> Historic resource estimate considered to be relevant, and is presumed reliable based on the volumes of work completed. The company has not done sufficient work to verify the resource estimate.

*The foregoing was prepared on behalf of the company by Jody Dahrouge, P.Geol. of Dahrouge Geological Consulting Ltd., Edmonton, Alberta. Mr. Dahrouge, is the Qualified Person (QP) responsible for the review of the historical resource estimates. Also, the company wishes to reiterate that the foregoing resource estimates were quoted from third party publications, and not all the original reports are currently available for consultation, hence the historical resource estimates should not be relied upon.*

## Results of Operations

During the previous year (2003) the price of uranium remained low. However, by September, 2003 the price of uranium rebounded to over \$12 US per pound. At that time management decided to aggressively pursue the acquisition of new uranium properties in the United States and Canada. In addition to the Peru property and the Chord Project, the Company has acquired, or negotiated the right to acquire additional uranium properties in New Mexico, Wyoming, Quebec, Alberta and Saskatchewan. At the time of writing, the spot uranium price is \$24 US per pound.

During the year ended December 31, 2004, the Company incurred \$2,541,745 in property acquisition costs. These costs are summarized in the following table. The Company expects these costs to increase as it continues its program of staking, acquisitions and development exploration.

US properties:	\$1,293,725
Peru properties:	\$ 46,019
Canadian properties:	\$1,202,001

During 2005, the Company expects to spend approximately \$2,245,131 on exploration and development. These expenditures are summarized in the following table.

US properties:	\$ 500,500
Peru properties:	\$ 30,000
Canadian properties:	\$1,714,631

During 2004, general and administration expenses increased from \$219,874 in 2003 to \$1,097,648 in 2004, (not including non-cash expenses from stock based compensation of \$962,297 (2003 - \$221,994)) 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. (See the financial statements dated December 31, 2004 for a complete listing)

## Summary of Annual Results

	2004	2003	2002
Loss for the year	\$(1,994,210)	\$ (432,855)	\$(1,158,900)
Total assets	12,057,343	1,290,743	135,965
Total liabilities	74,733	48,016	50,227
Shareholders' equity	11,982,610	1,242,727	85,738
Basic and diluted loss per share	(0.08)	(0.05)	(0.17)

## Summary of Quarterly Results

		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
2002	Net Income (loss) *	(67,751)	(55,220)	(47,992)	(987,937)
	Net Income (loss) per share	(0.01)	(0.02)	(0.01)	(0.13)
2003	Net Income (loss)	(31,576)	(91,061)	(85,490)	(224,728)
	Net Income (loss) per share	(0.01)	(0.02)	(0.01)	(0.01)
2004	Net Income (loss)	(327,777)	(206,047)	(613,762)	(846,624)
	Net Income (loss) per share	(0.02)	(0.01)	(0.02)	(0.03)

\*loss per share fully diluted less than \$0.01 except for 4<sup>th</sup> quarter 2002 at \$0.13.

The significant loss recorded for the 4<sup>th</sup> quarter of 2002 resulted from the write-off of mineral properties.

The increase in quarterly losses beginning in the 4<sup>th</sup> quarter of 2003 is the result of the increase in activity of the Company in response to the increase in the price of uranium.

## Deferred Exploration Costs

	2004			2003		
	USA	Canada	Total	USA	Canada	Total
Balance, beginning of year	\$ 60,008	\$ -	\$ 60,008	\$ 60,008	\$ -	\$ 60,008
General expenditures	3,708	103,933	107,641	-	-	-
Balance, end of year	\$ 63,716	\$ 103,933	\$ 167,649	\$ 60,008	\$ -	\$ 60,008

### Liquidity

The Company does not have any operating revenues, and as a junior resource company engaged in mineral exploration, the Company does not anticipate generating any operating revenues in the next few years. Historically, the Company has received revenues only from interest earned on cash reserves held. The Company expects interest earned 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 January, 2004, the Company issued 4,767,444 units at \$0.27 per unit consisting of one common share and one share purchase warrant for total proceeds of \$1,287,210. Each warrant entitles the holder to acquire one additional common share at \$0.36 per share expiring January 20, 2006. An estimated fair value of \$417,712 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$23,490 on the private placement.

In February, 2004, the Company issued 1,501,334 units at \$0.60 per unit consisting of one common share and one share purchase warrant for total proceeds of \$900,800. Each warrant entitles the holder to acquire one additional common share at \$0.76 per share expiring February 23, 2006. An estimated fair value of \$299,582 was allocated to the warrants and is included in contributed surplus.

In April, 2004 the Company issued 3,436,167 units at \$0.60 per unit consisting of one common share and one share purchase warrant for total proceeds of \$2,061,700. Each warrant entitles the holder to acquire one additional common share at \$0.76 per share expiring April 16, 2006. An estimated fair value of \$626,385 was allocated to the warrants and is included in contributed surplus. The Company incurred finder's fees of \$132,803 on the private placement.

## **Financing, Principal Purposes and Milestones (cont'd...)**

In September, 2004, the Company issued 2,857,143 common shares at \$0.70 per share for total proceeds of \$2,000,000. The common shares issued are subject to a hold period that expires on January 27, 2005. The Company paid \$150,000 and issued 142,857 share purchase warrants for finder's fees. Each warrant entitles the holder to acquire one additional common share at \$0.74 per share expiring September 27, 2005.

In November, 2004, the Company issued 2,000,000 common shares at \$1.00 per share for total proceeds of \$2,000,000. The common shares issued are subject to a hold period that expires on March 1, 2005. The Company paid \$120,000 and issued 120,000 share purchase warrants valued at \$55,547 as finder's fees. Each warrant entitles the holder to acquire one additional common share at \$1.08 per share expiring October 29, 2006.

In December, 2004, the Company issued 513,000 flow-through common shares at a price of \$1.95 per share for total proceeds of \$1,000,350. The Company incurred finder's fees of \$55,019 on the private placement.

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

## **Capital Resources**

The Company has not entered into any property option agreement, that require the Company to meet certain yearly exploration expenditure requirements.

## **Off-Balance Arrangements**

The Company has not entered into any off-balance sheet financing arrangements.

## Outstanding Share Data

As at April 22, 2005, the Company has 49,386,726 common shares issued and outstanding. The Company also has incentive stock options and share purchase warrants outstanding to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	100,000	\$ 0.15	September 12, 2005
	225,000	0.25	November 25, 2005
	225,000	0.27	November 28, 2005
	470,000	0.50	January 9, 2006
	1,285,000	0.60	June 22, 2006
	700,000	1.25	November 3, 2006
	100,000	1.44	November 3, 2006
	250,000	1.75	January 14, 2007
<b>Warrants</b>	1,089,502	0.25	November 24, 2005
	1,676,000	0.35	December 17, 2005 <sup>(1)</sup>
	1,895,000	0.36	January 20, 2006 <sup>(1)</sup>
	472,000	0.76	February 23, 2006
	2,578,667	0.76	April 16, 2006
	6,027,180	1.75	February 21, 2007 <sup>(2)</sup>

<sup>(1)</sup> The warrants are subject to accelerated expiry in the event that the 10 day average closing price of the Company's common stock is greater than or equal to \$0.75. If the \$0.75 average is achieved, holders of the warrants may be notified and the remaining term of the warrants will be shortened to 30 days although the exercise price will remain the same.

<sup>(2)</sup> The warrants are exercisable at \$1.75 until February 21, 2006 and thereafter at \$2.00 expiring February 21, 2007

## Transactions with Related Parties

During 2004, the Company paid management consulting fees in the amount of \$62,455 to a company controlled by Devinder Randhawa, the President of the Company. Management consulting fees of \$39,632 were paid to a company controlled by a director, Steven Khan, for services provided to the Company. Bob Hemmerling, the Secretary of the Company, received \$46,250 for his services. Directors of the Company participated in the financings of the Company by acquiring, through private placements, 200,000 common shares for proceeds of \$54,000.

## **Changes in Accounting Policies**

Effective January 1, 2004, the Company adopted CICA Handbook Section 3110 "Asset Retirement Obligations". This standard requires recognition of a liability at its fair value for the obligation associated with the retirement of a tangible long-lived asset. A corresponding asset retirement cost would be added to the carrying amount of the related asset and amortized to expense over the useful life of the asset. The Company has determined that there are no asset retirement obligations at December 31, 2004.

Effective March 19, 2004, the Company adopted EIC 146 "Flow-Through Shares" that dictates the accounting treatment on renunciation of the tax deductibility of the qualifying expenditures that give rise to taxable temporary differences. The change in accounting policy was applied prospectively. 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.

## **Subsequent Events**

Subsequent to December 31, 2004, the Company:

- a) Granted stock options to acquire 250,000 common shares at \$1.75 per share expiring January 14, 2007.
- b) Issued 30,000 flow-through common shares at a price of \$1.95 per share for total proceeds of \$58,500 which were received in fiscal 2004.
- c) Issued 10,000,000 units at \$1.50 per unit for cash proceeds of \$15,000,000. Each unit consists of one common share and one half share purchase warrant exercisable at \$1.75 until February 21, 2006 and thereafter at \$2.00 expiring February 21, 2007. In connection with the placement the Company issued agent options to purchase 1,027,180 common shares at a price of \$1.75 in the first year and \$2.00 in the second year and paid cash commissions of \$1,027,180.
- d) Issued 2,542,469 common shares for cash proceeds of \$ 1,621,142 pursuant to the exercise of stock options and warrants.
- e) Acquired an option, subject to regulatory approval, to purchase a 100% interest in the Red Creek property located in Wyoming, USA in consideration for the issuance of 200,000 common shares over a one year period.
- f) Issued 575,000 common shares pursuant to the acquisition of mineral property interests.