

**FORM 51-102 F1**  
**STRATABOUND MINERALS CORP.**  
**ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS**

April 26, 2005

The following discussion and analysis of results and operations should be read in conjunction with the Company's Consolidated Financial Statements for the year ended December 31, 2004 and related notes.

**Description of Business**

The Company is in the business of mineral exploration and development, with gold and base metal properties in New Brunswick and diamond and gold and base metal prospects in Quebec. During 2004 the Company focused on gold exploration at its Ramsay Brook and Elmtree properties in New Brunswick and diamond exploration on its Marusia claims in the Otish Mountains region of Quebec. At the present time, the Company does not have any producing properties and consequently no revenues.

**Overall Performance**

In 2004, the Company raised \$363,175 in private placements compared with \$462,175 in 2003. Proceeds have been applied to 2004 and 2005 acquisition and exploration of gold, diamond and base metal properties in New Brunswick and Quebec and general corporate purposes. The Company received a \$30,000 grant from the New Brunswick Department of Natural Resources and Energy under the Junior Mining Assistance Program (JMAP), for exploration of the Elmtree gold property.

During 2004 the Company spent \$335,268 on exploration and acquisition of mineral properties compared with \$187,996 the previous year. The difference is largely attributable to work on the Elmtree gold property, results of which have enhanced the property's mineral potential.

At December 31, 2004, the Company had working capital of \$264,907, relatively unchanged from \$242,358 in working capital at the end of 2003. The Company intends to raise additional capital this year if market conditions allow. Future exploration is dependent on continued equity financing and/or joint ventures with other companies. The Company will also apply for a JMAP grant again this year from New Brunswick.

**Selected Financial Information**

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The reporting currency is the Canadian dollar.

**Three Year Financial Data – Years Ended December 31**

<b>For the Years Ended December 31</b>	<b>2004 \$</b>	<b>2003 \$</b>	<b>2002 \$</b>
Total Revenues	2,367	4,550	3,076
Loss Before Discontinued Operations & Extraordinary Items i) Total ii) Basic Per Share	161,662 0.011	104,320 0.009	86,240 0.008
Net Loss i) Total ii) Basic Per Share	98,162 0.007	890,674 0.08	75,440 0.007
Total Assets	3,323,996	3,042,384	3,870,914

**Summary of Quarterly Results**

<b>2004</b>	<b>Dec 31/ \$</b>	<b>Sept 30/ \$</b>	<b>June 30/ \$</b>	<b>March \$</b>
Total Revenue	772	542	478	575
Loss Before Discontinued Operations & Extraordinary Items	38,464	30,145	29,477	63,576
Net Loss	38,464	30,145	29,477	63,576
Net Loss Per Share	0.003	0.002	0.002	0.005

<b>2003</b>	<b>Dec 31/03</b>	<b>Sept 30/03</b>	<b>June 30/03</b>	<b>March 31/03</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total Revenue	1,065	3,472	2	11
Loss Before Discontinued Operations & Extraordinary Items	55,226	26,742	10,612	11,740
Net Loss	841,580	26,742	10,612	11,740
Net Loss Per Share	0.06	0.002	0.001	0.001

As a result of write-downs or write-offs from exploration activities, net losses tend to be extremely variable.

### **Results of Operations**

In 2004, the Company raised \$363,175 in cash (net of share issue costs), by the issuance of 2,450,334 shares via private placements and the exercise of warrants, compared with net proceeds of \$462,175 in 2003 for 2,905,000 shares.

In addition, 266,666 shares were issued for property acquisitions in 2004 at a deemed value of \$44,500, compared with 137,500 shares valued at \$25,125 in the previous year.

All expenses relating to exploration are capitalized as Mineral Properties and are detailed in Note 4 to the Financial Statements and shown below in the "Additional Disclosure" section. Stratabound incurred a net loss of \$98,162 for the year ended December 31, 2004 as compared to a loss of \$890,674 for 2003. The difference is mainly due to 2003 property write-downs on base metal claims in Mexico and New Brunswick.

General and administrative expenses in 2004 amounted to \$162,401 compared to \$107,037 for the year ended December 31, 2003. The difference is due to increases in salaries and benefits, regulatory compliance costs and the expensing of stock options issued in 2004 pursuant to the Company's stock option plan. For the latter item, the Company has adopted the recommendations of the CICA with respect to the accounting for stock-based compensation and other stock-based payments granted to employees and directors. Compensation expense is estimated in the consolidated financial statements using the Black-Scholes fair value option-pricing model.

### **Elmtree Gold Property, New Brunswick**

Toward the end of 2003, the Company optioned ten claims (162 hectares) known as the Elmtree Gold Property. The property is situated 19 kilometres northwest of the coastal city of Bathurst and contains at least two mineralized zones, the Discovery Zone and West Gabbro Zone, along with many undrilled targets. Virtually all previous drilling during the 1980s targeted the West

Gabbro Zone.

The Company acquired a large database of previous exploration results arising from Lacana's work in the mid-1980s at negligible cost. Stratabound summarized its conclusions and plans in a news release dated May 12, 2004. It was noted that sixteen of the drill holes penetrating the West Gabbro Zone, many of them near surface, assayed 2.0 grams per tonne or better across core intervals of 20 to 60 metres.

Stratabound also examined and inventoried cores and pulps from the Lacana drill holes. Eighty-eight Lacana drill core pulps were submitted for check assays to confirm gold-bearing intervals and to obtain whole-rock geochemical analyses.

Property and picket lines, and previous drill collar and trench locations were re-established, and surface rights holders contacted. A baseline environmental program of stream sediment sampling was conducted by Jacques Whitford Environment Limited.

Eight trenches totaling approximately 400 metres were excavated late in 2004, along a 210 metre (690 feet) strike portion of the West Gabbro Zone. Seven holes were subsequently drilled during the winter of 2004-05 in order to probe the zone at potential open-pit depths; to test for the presence of gabbro and associated gold mineralization below and west of the previously assumed limits of the zone; and to explore a possible structural relationship with the Discovery Zone located 750 metres to the east.

Trenching and drilling results have been favorable and indicate additional work should be done on the property.

Assaying was performed at ALS Chemex of Mississauga, Ontario. John Duncan, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

Elmtree property expenditures for 2004 were \$160,893. Cumulative expenditures to Dec. 31, 2004 are \$188,949 including a government incentive payment of \$30,000. The Company has the option to acquire a 100% interest in the Elmtree claims, subject to a 2% net smelter return, by making total payments of \$145,000 and 100,000 shares by October 3, 2006.

### **Ramsay Brook Gold Property, New Brunswick**

Beginning in 2003, the Company conducted line-cutting, soil geochemistry, VLF and magnetic surveys, prospecting, geological mapping and trenching on the eastern third of this 1,262 hectare property located 60 kilometres west of Bathurst. The property was expanded from 61 to 78 claims.

Thirteen gold-bearing quartz-siderite veins were found in seven trenches along 400 metres of strike length in gabbroic rock, with favorable assay results.

In 2004 the Company conducted an induced polarization geophysical survey east of the 2003 trenches, outlining pronounced chargeability anomalies both along strike from the trenches as well as directly over the Ramsay Brook Fault, located 200 metres to the south. Drilling will be required to test these anomalies. Late in the year gridlines were cut over the remaining two-thirds of the property in preparation for magnetic, electromagnetic and soil geochemical surveys, geological mapping and prospecting planned for 2005.

Ramsay Brook property expenditures for 2004 were \$71,396. Cumulative expenditures to December 31, 2004 are \$179,512 including government incentive payments of \$40,000. Additional payments of \$125,000 and 37,500 shares are required by August 30, 2005 to earn a 100% interest, subject to a 2% net smelter return royalty, in ten of the 78 claims.

### **Bathurst Base Metal Properties, New Brunswick**

The 100%-owned Bathurst properties (3,853 hectares) host three known base metal sulphide bodies (CNE, Captain and Taylor Brook) and untested magnetic, electromagnetic and lead-zinc-copper-silver soil anomalies east of the former 25 million tonne Heath Steele base metal mine.

The Captain North Extension (CNE) deposit was explored and developed by Stratabound from 1988 to 1990, and was operated by the Company as a profitable small zinc-lead-silver-gold open pit mine from 1990 to 1992.

Eastmain Resources Inc. can earn a fifty percent interest in 1,586 hectares by spending \$1,500,000 on exploration by April 30, 2005. At this time it appears Eastmain will not earn its interest. Prior to 2004, Eastmain delineated a number of drill targets on the CNE and Captain claims (including kilometric-size anomalies) with geological, geochemical and geophysical surveys. Eastmain conducted a 5-hole, 1,300 metre drilling program on the CNE and Captain claims during the year to test IP geophysical targets, and is currently preparing a report on the work.

Also in 2004 Stratabound reached agreement with a Noranda Inc./Slam Exploration Ltd. joint venture permitting them to conduct a deep-penetration, airborne MegaTEM electromagnetic and magnetic survey and an airborne gravity survey over the Company's base metal claims. A total of 199 line-kilometres of MegaTEM data and 225 line-kilometres of gravity data were generated, and have not yet been fully evaluated. An interesting cluster of targets appear to be present in the south-central and southeast portions of the Captain claims. These targets comprise 20 strong EM anomalies, mostly of the 11- and 12-channel variety, situated along and on the flanks of a distinct magnetic high, and require further evaluation.

Stratabound's plans for 2005 include a trenching program on a 3-kilometre long lead-zinc-copper-silver soil anomaly with associated electromagnetic and magnetic anomalies located on the Nepisiquit claim group east of Noranda's former Heath Steele Mine.

As expenditures on the Bathurst Base Metal Properties were incurred by Eastmain, Noranda and Slam, Stratabound's property expenditures were minimal in 2004, amounting to \$4,313. Stratabound's cumulative expenditures to December 31, 2004, net of accumulated depletion, are \$2,561,135.

### **Otish Mountains, Quebec – Marusia Property**

This prospect is situated less than 25 kilometers south of the Ashton/Soquem property containing the Renard diamond discoveries. In 2004, the Company staked eight additional claims to cover open ground adjacent to high priority targets, increasing the property size to 3,471 hectares.

During 2003-2004, Stratabound discovered a variety of kimberlite indicator minerals in glacial till samples down-ice from sixteen aeromagnetic anomalies on the Marusia claims. Gold anomalies were detected in the southern portion of the property.

During the second half of 2004, Stratabound completed a follow-up basal till sampling program. The primary goal of this work was to locate the bedrock source(s) of the kimberlite and diamond indicator minerals found during the 2003-2004 reconnaissance program. The program was supported by helicopter and fixed-wing aircraft. Sample spacings averaged 100 metres. A total of 120 basal till samples and 3 stream sediment samples were retrieved, with a combined weight in excess of 2.1 tonnes. The samples were processed for diamond indicator minerals by IOS Services Geoscientifiques of Chicoutimi, Quebec. Potential kimberlite indicator mineral grains were segregated and submitted to R. L. Barnett Geological Consulting Inc. of London, Ontario for microprobe analysis. A report on results is expected shortly.

Marusia Property expenditures for 2004 were \$98,666. Cumulative expenditures to December 31, 2004 are \$199,490.

### **Liquidity**

Since its incorporation in 1986, the Company has been successful in financing its activities through private placement of shares to individuals and investment funds; revenue from lead-zinc-silver-gold mining in New Brunswick and oil production in Saskatchewan; joint ventures; property sales and option payments; government incentives; and the exercise of warrants and stock options.

The Company intends to raise additional capital this year assuming market conditions allow. Future exploration is dependent on continued equity financing and/or joint ventures with other companies. The Company will also apply for a JMAP grant again this year from the New Brunswick Department of Natural Resources and Energy.

### **Additional Disclosure**

For each project, 2004 capitalized exploration and development costs and cumulative costs are shown above in the "Results of Operations" section. Detailed capitalized exploration and development costs for 2003 and 2004 are broken-down by project as follows:

#### **Capitalized Exploration and Development Expenses**

	Bathurst, N.B. \$	Otish Mountains, Que. \$	Ramsay Brook, N.B. \$	Elmtree, N.B. \$	Canada Total \$	Coahuila , Mexico \$
Cost						
December 31, 2002	2,944,026	44,478	16,687	—	3,005,191	992,427
Acquisition & renewals	1,150	—	19,215	23,000	43,365	—
Assays and analyses	—	13,100	18,518	—	31,618	—
Claims taxes and other	—	—	—	—	—	10,465
Geochemistry	—	43,246	10,435	—	53,681	—
Geology and prospecting	—	—	10,576	5,056	15,632	—
Geophysics	550	—	4,926	—	5,476	—
Line-cutting	—	—	8,061	—	8,061	—
Trenching	—	—	19,698	—	19,698	—
Government incentives	—	—	(35,450)	—	(35,450)	—
Write down of mineral properties	(198,162)	—	—	—	(198,162)	(1,002,892 )
	2,747,564	100,824	72,666	28,056	2,949,110	—
Accumulated depletion	(190,742)	—	—	—	(190,742)	—
<b>December 31, 2003</b>	<b>2,556,822</b>	<b>100,824</b>	<b>72,666</b>	<b>28,056</b>	<b>2,758,368</b>	<b>—</b>
Cost						
December 31, 2003	<b>2,747,564</b>	<b>100,824</b>	<b>72,666</b>	<b>28,056</b>	<b>2,949,110</b>	<b>—</b>
Acquisition & renewals	<b>3,120</b>	<b>6,000</b>	<b>27,240</b>	<b>17,540</b>	<b>53,900</b>	<b>—</b>
Assays and analyses	—	<b>6,048</b>	<b>189</b>	<b>20,297</b>	<b>26,534</b>	<b>—</b>
Geochemistry	—	<b>60,427</b>	—	<b>9,900</b>	<b>70,327</b>	<b>—</b>
Geology and prospecting	<b>1,193</b>	<b>14,674</b>	<b>5,284</b>	<b>64,411</b>	<b>85,562</b>	<b>—</b>
Geophysics	—	—	<b>10,350</b>	—	<b>10,350</b>	<b>—</b>
Line-cutting	—	—	<b>19,227</b>	—	<b>19,227</b>	<b>—</b>
Trenching	—	—	<b>6,040</b>	<b>31,161</b>	<b>37,201</b>	<b>—</b>
Salaries and benefits	—	<b>7,250</b>	<b>2,000</b>	<b>12,250</b>	<b>21,500</b>	<b>—</b>
Stock-based compensation	—	<b>4,267</b>	<b>1,066</b>	<b>5,334</b>	<b>10,667</b>	<b>—</b>
Government incentives	—	<b>(35,626)</b>	<b>(4,550)</b>	<b>(30,000)</b>	<b>(70,176)</b>	<b>—</b>
	<b>2,751,877</b>	<b>163,864</b>	<b>139,512</b>	<b>158,949</b>	<b>3,214,202</b>	<b>—</b>
Accumulated depletion	<b>(190,742)</b>	—	—	—	<b>(190,742)</b>	<b>—</b>
<b>December 31, 2004</b>	<b>2,561,135</b>	<b>163,864</b>	<b>139,512</b>	<b>158,949</b>	<b>3,023,460</b>	<b>—</b>

General and administrative costs for 2003 and 2004 are discussed above in the "Results of Operations" section and are itemized below. "Stock-based compensation" is an item not involving cash, pertaining to stock options granted to employees and directors. During the year, the Company paid rent of \$3,600 (2003 - \$3,000) to officers of the Company, a related party transaction.

### **General and Administrative Expenses**

**Years ended December 31**

	<b>2004 \$</b>	<b>2003 \$</b>
Salaries and benefits	<b>48,173</b>	31,270
Professional fees	<b>34,020</b>	29,812
Filing fees and investor communications	<b>33,299</b>	25,191
Stock-based compensation	<b>29,333</b>	—
Office and other	<b>13,976</b>	17,764
Rent	<b>3,600</b>	3,000
	<b>162,401</b>	107,037

The Company has no off-balance sheet arrangements.

The directors of the Company are engaged and will continue to be engaged in the search for mining interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material contract with the Corporation to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Business Corporations Act* (Alberta).

**C**  
T

### **Subsequent Event**

Subsequent to year-end the Company acquired an option to earn 100% interest, subject to a 2% net smelter return royalty, in 28 claims covering 1,569 hectares in northwest Quebec, known

as the Enja Property. To earn its interest the Company must issue 150,000 shares and incur \$100,000 in exploration expenditures within three years. To date, \$40,000 has been spent on exploration and 100,000 shares have been issued.

**Share Capital**

The authorized capital of the Company consists of an unlimited number of common shares without par value. At December 31, 2004 the number of issued common shares was 16,825,579 (fully diluted 22,941,576) and at April 26, 2005 was 16,935,579 (fully diluted 23,041,576).

**Options outstanding at April 26, 2005**

<b>Number of Options</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
35,000	0.60	July 26, 2005
200,000	0.50	April 17, 2006
500,000	0.22	August 2, 2007
250,000	0.20	March 5, 2009

**Warrants outstanding at April 26, 2005**

<b>Number of Warrants</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
440,050	0.22	October 24, 2005
177,500	0.15	June 28, 2006
1,576,000	0.15	July 25, 2006
210,000	0.20	October 14, 2006
185,000	0.30	December 10, 2006
125,000	0.20	December 23, 2006
1,477,447	0.22	May 17, 2007
930,000	0.20	July 28, 2007
<b>TOTAL 5,120,997</b>		

## **Risks and Uncertainties**

The business of exploration and mining is full of risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations to be conducted by the Company will be subject to all of the operating risks normally attendant upon mineral exploration and development. Failure to obtain financing can result in delay or indefinite postponement of exploration and development projects with the possible loss of such properties. While the Company has been successful in the past at raising funds, there can be no assurance that it will continue to do so. Equity financing opportunities require favorable market conditions and commodity prices that cannot be assured.

Whether a mineral deposit once discovered will be commercially viable depends on a number of factors, some of which depend on the particular attributes of the deposit, such as size, grade and proximity to infrastructure. These factors are beyond the control of the Company. The Company must also compete with a number of companies that may have greater technical or financial resources. The Company is unable to predict the amount of time which may elapse between the date when any new mineral reserve may be discovered and the date when production will commence from any such discovery.

The exploration and development of mineral properties and the marketability of any minerals contained in such properties can be affected by many other factors beyond the control of the corporation, such as metal prices, availability of adequate refining facilities, or the imposition of new government regulation affecting existing taxes and royalties or environmental and pollution controls.

## **Approval**

The Board of Directors has approved the disclosure contained in this Annual Management Discussion and Analysis. A copy will be provided to anyone requesting it.

The Company's publicly filed documents are available on SEDAR at [www.sedar.com](http://www.sedar.com)