

STROUD RESOURCES LTD.

FORM 51-102FI

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005

AUGUST 25, 2005

1.1 Date

This Management Discussion and Analysis (“MD&A”) for the three and six months ended June 30, 2005 is dated August 25, 2005 and should be read in conjunction with the company’s financial statements. All financial information is prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and is expressed in Canadian dollars.

1.2 Overview

Stroud Resources Ltd. (the “Company” or “Stroud”) is a junior resource company involved in the acquisition, exploration and development of mineral properties. Stroud has focused its exploration activities on the Compania Minera epithermal silver- gold project in central Mexico and the Hislop gold property in northern Ontario.

On January 17, 2005, the Company and Amerix Precious Metals Corporation (“APM”) announced details of a planned drill program at the Compania Minera property after having received the necessary land use permits from local, state and federal authorities. Preparations for the drilling program commenced in April 2005. Stroud is the Operator of the drilling program. Expenditures of \$308,932 and \$245,401 have been capitalized with respect to this property during the first quarter and second quarters of 2005, respectfully.

The Company declared a net loss of \$163,668 for the first six months of 2005 compared to a net loss of \$275,497 in the same period of 2004. Of this, \$83,290 loss was realized in the three months ended June 30, 2005 (2004 - \$156,450 loss). An increase in professional fees and office and general expenses was offset in part by a reduction in stock-based compensation expense (non-cash) and management fees.

Revenue from oil and gas operations increased by 49% to \$97,367 in the first six months of 2005, from \$65,181 in the same period of 2004. Administrative expenses were reduced by 25% from \$326,264 in the first six months of 2004 to \$241,932 during the first six months of 2005.

1.3 Selected Annual Information

The following table sets out selected financial information of the Company for the past three years ended December 31, 2004, 2003 and 2002. The following summary of selected financial information is derived from, should be read in conjunction with, and is qualified in its entirety by reference to the Company's financial statements, including the notes thereto, which can be viewed at www.sedar.com.

	Year Ending December 31, 2004	Year Ending December 31, 2003	Year Ending December 31, 2002
	\$	\$	\$
Revenue	125,419	53,814	47,805
Net Loss	(381,421)	(324,610)	(106,781)
Net Loss per Share	(0.006)	(0.005)	(0.002)
Working Capital	2,353,053	51,757	215,764
Mineral Properties and Deferred Costs	2,629,738	2,492,318	2,343,518
Total Assets	5,168,870	2,620,305	2,387,204
Total Liabilities	134,597	217,521	53,621
Shareholders' Equity	5,034,273	2,402,784	2,333,583

Revenue from oil and gas operations was significantly higher in 2004 than in previous years due to the higher selling prices for natural gas and natural gas condensates and the drilling and bringing into production of an additional well in which the Company has an interest during the year.

The Company's working capital increased to \$2,353,053 at December 31, 2004 from \$51,757 in 2003. The increase was primarily due to financing

raised during the year. Total Assets as well as Shareholders' Equity have increased correspondingly.

1.4 Results of Operations

Revenues from oils and gas operations increased by 60% for the three months ended June 30, compared to the same three months of 2004, and increased 32% from the first quarter of 2005. Revenue from oil and gas operations for the six months ended June 30, 2005 increased by 49% to \$97,367 to \$65,181 in 2004. The increase is due in part to higher prices and rising demand in 2005 for natural gas and gas condensates. The Company spent \$17,933 during the six months to further develop these wells for production. These expenditures have been capitalized and will be amortized over the estimated useful lives of the properties. Depletion expense has increased as these costs are amortized.

Total administrative expenses have been reduced to \$126,890 for the three months ended June 30, 2005, from \$182,379 during the same period in 2004. Lower stock-based compensation, management and licensing fees contributed to the reduction. This was offset in part by depreciation expenses which increased by \$10,386 in the quarter, by higher office and general expenses.

In the first quarter of 2005, the Company initiated a drilling program on its Compania Minera project in Mexico, and has capitalized expenditures of \$308,932 and \$245,401 during the first quarter and second quarters of 2005, respectfully. The drilling program is expected to be completed in September 2005. In addition, the Company has undertaken a feasibility study of the Hislop property in Ontario. Expenditures of \$43,736 and \$24,178 have been capitalized with respect to this property during the first and second quarters of 2005, respectfully. In contrast, the Company had capitalized \$35,892 and \$48,512 with respect to its mineral properties during the first and second quarters of 2004, respectfully.

Interest income is being earned on term deposits maintained by the Company, which has reduced the net loss for the period.

During the fourth quarter of 2003, the Company adopted the fair value method of accounting for stock-based compensation plans in accordance with the Canadian Institute of Chartered Accountant Handbook Section

3870, "Stock-based Compensation and other Stock-based Payments" ("CICA 3870"). During the six months ended June 30, 2005, the Company recognized stock-based compensation expense of \$46,210, [2004 - \$116,189] for previously issued stock options.

A description of the Company's mineral properties can be found in Note 4 to its 2004 financial statements which have been filed on SEDAR and are also available at www.stroudresourcesltd.com.

Nature of Business

The Company was incorporated on March 18, 1983. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of the carrying values of these interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development thereof and the future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

The Company has an accumulated deficit of \$6,215,774 of which \$83,290 in losses were incurred during the current quarter.

Mining Industry

The exploration for and development of mineral deposits involves significant risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineral deposit may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company or its joint venture partners will result in a

profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in the Company not receiving an adequate return on investment.

Forward-Looking Statements

This management's discussion and analysis may contain statements that are "Forward-looking Statements". These include statements about the Company's expectations, beliefs, plans, objectives and assumptions about future events or performance. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "anticipate", "believes", "estimate", "intend", "plan", "would", and "outlook" or statements to the effect that actions, events or results "will", "may", "should" or "would" be taken, occur or be achieved. Statements and estimates concerning mineral resources may also be deemed to be forward-looking statements in that they involve estimates, based on certain assumptions, regarding the mineralization that would be encountered if and when a mineral deposit were to be developed and mined. Forward-looking statements are not historical facts, and are subject to a number of risks and uncertainties beyond the Company's control. Accordingly, the Company's actual results could differ materially from those suggested by these forward-looking statements for various reasons discussed throughout this analysis. Forward-looking statements are made on the basis of the beliefs, opinions and estimates of the Company's management on the date the statements are made and the Company does not undertake any obligation to update forward-looking statements if the circumstances or management's beliefs, opinions or estimates should change. Readers should not place undue reliance on forward-looking statements.

1.5 Summary of Quarterly Results

The following table sets forth, for the quarter indicated, information relating to the Company's revenue, net loss and loss per common share as prepared under generally accepted principles in Canada.

	Revenues	Net Loss	Basic and Diluted Net Loss / Share
September 30, 2003	12,860	(27,981)	(0.0004)
December 31, 2003	9,518	(206,381)	(0.0030)
March 31, 2004	31,626	(119,047)	(0.0018)
June 30, 2004	33,555	(156,450)	(0.0018)
September 30, 2004	37,680	(36,866)	(0.0004)
December 31, 2004	22,558	(127,858)	(0.0014)
March 31, 2005	43,414	(80,378)	(0.0009)
June 30, 2005	53,953	(83,390)	(0.0009)

Following the adoption of the new accounting policy for stock options in the fourth quarter of 2003, stock-based compensation expenses have increased the quarterly net loss in the last five quarters. In 2003, stock-based compensation of \$143,811 was amortized and included in determining net loss for the quarter ended December 31, 2003. In the fourth quarter of 2004, additional stock options were issued and stock-based compensation of \$52,085 was amortized and included in determining net loss for the quarter. In the three months ended June 30, 2005, stock-based compensation of \$21,208 was recognized for previously issued stock options, compared to \$59,045 for the same period in 2004.

Professional fees and business promotion are higher over the last five quarters as the Company has increased its financing and corporate activities.

For further annual and quarterly financial information, please refer to the Company's financial statements that have been filed on SEDAR.

1.6 Liquidity

On April 27, 2004, the Company completed a private placement of 12,233,411 units, raising gross proceeds of \$2,079,680. During 2004, 9,600,000 outstanding share purchase warrants were exercised at a price of \$0.10 per share providing the Company with additional funds of \$960,000.

Working capital at June 30, 2005 was \$1,612,909 with the Company holding \$1,319,829 in cash and short-term investments.

The Company expects to contribute approximately \$700,000 toward the current drilling program to further develop the Santo Domingo project in Mexico. Should drilling results warrant, the Company may choose to increase the projected expenditures on this property.

1.7 Capital Resources

No option payments are due on the Company's mineral properties during fiscal 2005.

The Company has sufficient capital to meet its estimated exploration programs and expenses and general and administrative expenses for fiscal 2005. The Company may choose to raise additional funds should the directors deem it to be advisable.

1.8 Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or reasonably likely to have, a current or future effect upon the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

1.9 Transactions with Related Parties

During the six months ended June 30, 2005, the Company paid to the President of the Company \$42,500 in salary of which \$31,874 has been deferred and capitalized within mineral properties as they relate to the further development of the sites. The Company paid legal fees of \$16,093 to a law firm in which a director of the Company is a partner. The legal services, which are in the normal course of operations, have been measured at the exchange amount.

1.10 Proposed Transactions

The Company has not entered into any significant transaction, nor is it currently reviewing any such transaction, which requires board approval, shareholder approval or regulatory approval that has not been discussed within this MD&A.

1.11 Critical Accounting Estimates

The Company's significant accounting policies are presented in Note 2 of the financial statements for the six months ended June 30, 2005

During 2004, the Company issued stock options. The fair value of the stock options was estimated using the Black-Scholes option-pricing model using the following assumptions:

	2004	2003
Volatility	58.5%	140%
Risk free interest rate	3.38%	3.47%
Expected life [years]	3	3
Dividend yield	nil	nil

1.12 Changes in Accounting Policies

During the fourth quarter of 2003, the Company adopted the fair value method of accounting for stock-based compensation plans in accordance

with The Canadian Institute of Chartered Accountants ["CICA"]. Handbook Section 3870, "Stock-based Compensation and other Stock-based Payments" ["CICA 3870"]. The Company has selected the prospective method of adoption. The fair value of stock options granted is recognized on a straight-line basis over the applicable vesting period as an expense in the statements of loss and deficit and as contributed surplus on the balance sheets. On the exercise of stock options, consideration received and the accumulated contributed surplus amount is credited to share capital.

Effective January 1, 2004, the Company adopted CICA Handbook Section 3063, "Impairment of Long-Lived Assets" that was issued during 2003. Adopting this section impacts the recognition, measurement and disclosure of the impairment of long-lived assets on a prospective basis. A loss is recognized on a long-lived asset held for use when its carrying value exceeds the undiscounted cash flows from its use and disposition. The amount of the loss is determined by deducting the asset's fair value (based on discounted cash flows) from its carrying value. Previously, the loss was determined by deducting the asset's net recoverable value (based on undiscounted cash flows) from its carrying value. The Company has reviewed its policies and determined that there was no impact as a result of the Company adopting this section.

The Company has not changed any of its other accounting policies for the six months ended June 30, 2005, nor does it expect that any recent new accounting pronouncements will have any material impact on the financial condition or results of operations of the Corporation.

1.13 Financial Instruments and Other Instruments

The Company is not involved in any hedging program, nor is it party to any financial instruments that may have an impact on its financial position.

1.14 Other MD&A Disclosure

Additional information relating to the Company, including its annual and interim financial statements, and analysis for each period therein, where required, is available on SEDAR at www.sedar.com.

Mineral Properties and Deferred Costs

	Six Months Ended June 30, 2004 \$	Year Ending December 31, 2004 \$	Year Ending December 31, 2003 \$	Year Ending December 31, 2002 \$
Hislop Property	271,792	203,878	136,015	48,638
Santo Domingo Property	2,897,581	2,343,248	2,315,110	2,271,742
Oil and Gas Properties (net)	88,545	82,612	41,193	23,138
	3,257,918	2,629,738	2,492,318	2,343,518

Disclosure of Outstanding Share Data

	Number or Principal Amount Outstanding	Maximum Number of Common Shares Issuable, if Convertible, Exercisable or Exchangeable
Common Shares	90,578,973	N/A
Stock Options	4,475,000	4,475,000
Share Purchase Warrants	6,116,705	6,116,705
Maximum common shares- fully diluted		100,670,678

1.15 Approval

The Directors of the Company have approved the disclosure contained in this MD&A and a copy will be provided to anyone who requests it.