

STROUD RESOURCES LTD.

FORM 51-102FI

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2005

APRIL 28, 2006

1.1 Date

This Management Discussion and Analysis (“MD&A”) for the financial year ended December 31, 2005 is dated April 28, 2006 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 Santo Domingo epithermal silver- gold project in central Mexico and the Hislop gold property in northern Ontario.

During the year, the Company’s focused on developing its Santo Domingo silver project in Mexico, together with its Joint Venture Partner, Amerix Precious Metals Corp. (“APM”). In January 2005, the partners in the Santo Domingo Joint Venture, acquired the remaining 8.7% minority interest in Compañía Minera San Diego y La Espanola, S.A. de C.V. from Spanish interests. The cost of acquiring the remaining 8.7% was US \$2,850,000 of which the Company and APM have each paid US \$200,000. The remaining amount of US \$2,450,000 is to be paid if and when revenue is generated from minerals extracted from the project.

A drilling program was started in June 2005 and will continue until the summer of 2006. Expenditures of \$1,269,329 have been capitalized with respect to this property during 2005. Stroud intends to complete 900 meters of drilling at an anticipated cost of \$ 550,000 in the next 90 days. Subject to the receipt of positive drill results, further diamond drilling is planned throughout the year.

Subsequent to the end of the year, Stroud and APM entered into an agreement whereby Stroud has agreed buy APM’s 50% interest in Compañía Minera San Diego y La Espanola, S.A. de C.V. The purchase price is \$1,800,000 and a 5% royalty from production revenue to a maximum of \$1,000,000.

The Company declared a net loss of \$218,711 for 2005 compared to a net loss of \$381,421 in the prior year. This improvement was due in part to greater revenues from the Company's oil and gas properties, which increased to \$228,524 in 2005 from \$125,419 in 2004. Lower stock based compensation expense and licensing fees were offset in part by an increase in professional fees and office and general expenses.

1.3 Selected Annual Information

The following table sets out selected financial information of the Company for the past three years ended December 31, 2005, 2004 and 2003. 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, 2005 \$	Year Ending December 31, 2004 \$	Year Ending December 31, 2003 \$
Revenue	228,524	125,419	53,814
Net Loss	(218,711)	(381,421)	(324,610)
Net Loss per Share	(0.002)	(0.005)	(0.005)
Working Capital	877,705	2,353,053	51,757
Mineral Properties and Deferred Costs	3,970,851	2,629,738	2,492,318
Total Assets	5,234,421	5,168,870	2,620,305
Total Liabilities	300,193	134,597	217,521
Shareholders' Equity	4,934,228	5,034,273	2,402,784

Revenue from oil and gas operations was significantly higher in 2005 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 during the year.

The Company's working capital decreased to \$877,705 at December 31, 2005 from \$2,353,053 in 2004. The decrease was primarily due to the cost of the drilling program on the Santo Domingo project.

1.4 Results of Operations

Revenue from oil and gas operations increased by 82% to \$228,524 for the year compared to \$125,419 in 2004. The increase is due in part to higher prices and rising demand for natural gas and gas condensates. The two additional gas condensate wells (3.75% ownership) drilled in late 2004 were brought into full production during 2005. The Company spent \$24,889 during the year to complete the development of these wells. 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.

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

Total administrative expenses have decreased from \$499,159 to \$414,596 as a result of lower stock-based compensation expense being recognized for stock options issued in prior years.

The Company incurred increased professional fees as a result of the further development of its corporate website. The website, which is found at www.stroudresourcesltd.com, has improved exposure and facilitates investor communications.

A decline in licensing and fees expense has been offset by an increase of office and general expenses. Other expenses have remained constant from 2004 to 2005.

A description of the Company's mineral properties can be found in Note 4 to the financial statements and 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 \$6,270,817 of which \$218,711 in losses were incurred during the current year.

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
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	(83,290)	(0.0009)
September 30, 2005	54,978	(23,749)	(0.0003)
December 31, 2005	76,179	(31,294)	(0.0003)

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.

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

1.6 Liquidity

Working capital at December 31, 2005 was approximately \$877,507, down from \$ 2,353,053 in 2004. The cost of the drilling program at the Santo Domingo property accounts for the decline in working capital. At December 31, 2005, the Company held \$766,000 in cash and short-term investments. During the year, 550,000 outstanding stock options were exercised providing the Company with additional funds of \$59,000 and subsequent to year end a further 250,000 stock options were exercised yielding proceeds to the Company of \$25,000.

On April 12 and 13, 2006, the Company announced a planned non-brokered private placement of upto 23.33 million units at a price of \$0.18 per unit to raise gross proceeds of up to \$4.2 million. Each unit will

consist of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share at a price of \$0.30 per share for a period of 24 months from the closing date. The placement is expected to be completed shortly with the proceeds to be used to fund the completion of the acquisition of the remaining 50% interest in the Santo Domingo project not already owned, for the continuation of the diamond drilling program on the Santo Domingo project and for general corporate purposes.

1.7 Capital Resources

No option payments are due on the Company's mineral properties during fiscal 2005 or 2006.

The Company has sufficient capital to complete its estimated exploration program for its Mexican property for fiscal 2006. The Company will seek to raise additional funds in order to buy out its partner in the Mexico property and to further develop its Hislop Property. The Company may choose to seek 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 year ended December 31, 2005, the Company paid to the President of the Company \$85,000 in salary of which \$63,750 has been deferred and capitalized within mineral properties as they relate to the further development of the sites.

The Company paid legal fees of \$29,811 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 Fourth Quarter

During the fourth quarter, the company incurred a net loss of \$31,294. Of this amount, \$9,075 related to non-cash stock based compensation for options issued in prior periods. Other significant expenses were business promotion costs.

1.11 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.

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in Note 2 of the financial statements for the year ended December 31, 2005

During the course of the year, 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:

	2005	2004
Volatility	58.5%	140%
Risk free interest rate	3.38%	3.47%
Expected life [years]	3	3
Dividend yield	nil	nil

1.13 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 year ended December 31, 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.

1.14 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.

1.15 Other MD&A Disclosure

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

Mineral Properties and Deferred Costs

	Year Ending December 31, 2005 \$	Year Ending December 31, 2004 \$	Year Ending December 31, 2003 \$
Hislop Property	274,773	203,878	136,015
Santo Domingo Property	3,612,577	2,343,248	2,315,110
Oil and Gas Properties (net)	83,501	82,612	41,193
	3,970,851	2,629,738	2,492,318

Disclosure of Outstanding Share Data

	Number or Principal Amount Outstanding	Maximum Number of Common Shares Issuable, if Convertible, Exercisable or Exchangeable
Common Shares	90,378,973	N/A
Stock Options	4,125,000	4,375,000
Share Purchase Warrants	-	-
Maximum common shares- fully diluted		90,503,793

1.16 Disclosure Controls

The Company's Chief Executive Officer, who also acts as the Company's chief financial officer, is responsible for establishing and maintaining the Company's disclosure controls and procedures. Due to the fact that the Company only has one executive officer and no employees, the Chief Executive Officer is aware of all material information affecting the Company.

The Chief Executive Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2005, has concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would have been known to him.

1.17 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.