

**STRATECO RESOURCES INC.**

**ANNUAL REPORT 2006**

## Report to Shareholders

The year 2006 was an exceptional year for Strateco Resources Inc. (“the Company”) and its shareholders. The acquisition of the residual 49% interest in the Matoush uranium and Discovery gold properties in February proved to be the turning point for the Company’s revival.

The acquisition of a 100% interest in the Discovery property led to the creation of Cadiscor Resources Inc. (“Cadiscor”). With the transfer of Discovery to Cadiscor for 20 million shares that were later distributed to Strateco shareholders in August 2006, management of your Company was able to turn its full attention to developing its uranium assets.

Exploration for 2006 totalled \$3,243,300, thanks to the completion of a series of private placements for a total of \$10,760,000 and the exercise of warrants and stock options for a total of \$4,149,689. This exploration was primarily focused on the Matoush property, and included 38 holes drilled by a single drill in the vicinity of the AM-15 uranium structure.

Management also devoted substantial resources to investor and shareholder relations. The listing of the Company’s shares on the Frankfurt Exchange, five rounds of road shows in Europe and four in western Canada and numerous trips to Toronto and the United States served to raise the Company’s profile, primarily with institutional investors.

The efforts and funds devoted to public relations, the quality of drill results obtained on the Matoush property and climbing uranium prices all added up to exceptional share performance. The share price rose from \$0.18 per share on December 31, 2005 to \$2.55 per share a year later, for a 1,316% gain, not including the distribution of Cadiscor shares.

In addition, the Company closed a private placement for \$25,000,000 in January 2007. Units priced at \$2.60 consisted of a common share and half a warrant, with each whole warrant entitling its holder to purchase one common share of Strateco at \$3.50 for a 24-month period. The private placement was completed in record time by a brokerage syndicate led by Orion Securities Inc., assisted by Dundee Securities Corporation, Blackmont Capital Inc. and Sprott Securities Inc.

This financing, along with funds raised in 2006, places the Company in a solid financial position, with over \$30,000,000 in cash and term deposits to date. The operating budget for fiscal 2007 is \$16,600,000.

In the fall of 2006, the Board of Directors decided on a material change in corporate strategy. The corporate strategy announced at the 2005 Annual General Meeting was to explore and develop the Matoush property so as to be in a position to solicit bids for the Company as of Spring 2006. However, the quality of the exploration and drill results on Matoush and a better understanding of the uranium industry made it clear that it was in the shareholders’ best interest to finish assessing the Matoush resource and begin the process of obtaining a mining permit and conducting a feasibility study as of the spring of 2006.

Due to repairs and construction on the winter road leading to the Matoush property, the Matoush camp now has all the fuel it requires for 2007. All the materials required for the construction and operation of the new 45-person camp have been brought to the site. Two additional drills have also been transported to the site via the winter road.

With the three drills now on site, 30,000 metres of drilling will be completed in about 80 holes, including several deep holes that will test the sedimentary/bedrock contact.

Two drills will be used to delineate the AM-15 zone resource. Work on a 43-101-compliant resource estimate should begin in June 2007, to be used as a basis for a scoping study to be done in the summer of 2008.

Geophysics and prospecting carried out in the summer and fall of 2006 have provided a basis for a 35-hole drilling program on the Mont-Laurier property. The results of this drilling will enable us to decide on a corporate strategy for this uranium project.

The meteoric rise in uranium prices from US \$6.00 to \$85.00/lb in recent years has prompted renewed interest in uranium exploration. Given its location, the sustained rise in uranium prices and growing demand for alternative energy sources, the Mont-Laurier Uranium project is a solid addition to the Company’s property portfolio.

Shareholder and investor relations will continue to be a priority in 2007, which promises to be as interesting as was 2006.

In November 2006, the Company lost a director and member of its Audit Committee. Francine Bélanger, C.A., passed away after a brief illness. Her professionalism and enthusiasm will be greatly missed by us all. In January 2007, Claude Hubert, Ph.D., stepped down from the board for personal reasons. Ms. Bélanger and Mr. Hubert had been very active in the board of directors since the Company was first formed, and had been associated with our group since the early 1980s. We are very grateful to Henri Lanctôt and Marcel Bergeron, C.A., who have agreed to replace Ms. Bélanger and Mr. Hubert as directors.

On behalf of the Board of Directors,

(Signed) Guy Hébert, President  
March 5, 2007

## Mining Properties

The Company owns 100% of three mining properties and has interests in or options on two other properties in Québec. These properties cover 426 claims for a total area of 23,128 hectares.

### **MATOUSH PROJECT – U<sub>3</sub>O<sub>8</sub>**

#### **100% INTEREST**

#### **Location and Access**

The Matoush project is located in the Otish Mountains in northern Québec, about 300 kilometres north of Chibougamau, and consists of the Matoush, Matoush Extension and Eclat properties. The Matoush project presently covers 313 claims for a total area of 16,619 hectares. The property is accessible by air, and in winter by the Eastmain winter road, which runs about seven kilometres to the west of the property.

#### **Matoush Property**

##### **Mining Claims**

The property consists of 25 claims covering an area of 1,330 hectares.

A letter of intent dated May 12, 2005 provided for the Company to earn a 51% interest from Ditem Explorations Inc. (“Ditem”), which owned a 100% interest, in consideration of: payments totalling \$125,000 over two years, including \$5,000 on signature of the agreement; \$750,000 in exploration work over three years, including \$200,000 the first year; and the issuance of 600,000 common shares of the Company over two years. The Beaver Lake Area project, which lies approximately 20 kilometres to the west, is also covered by this agreement.

A new letter of intent was signed with Ditem on February 21, 2006, giving the Company a 100% interest in the Matoush property under the following terms:

- |  |           |
|--|-----------|
| - Upon signature of the letter of intent   | \$10,000  |
| - Within five days following approval of the transaction by regulatory authorities   | \$140,000 |
| - The issuance of 400,000 shares of Strateco Resources Inc. within five days following regulatory approval. The shares were subject to a resale restriction of four months plus a day. |           |
| - A 2% NSR, as defined by industry standards   |           |

#### **Uranium Potential**

The Otish Mountain area is well known for its uranium potential, particularly due to exploration conducted by Uranerz Mining and Cogema in the late 1970s and early 1980s. Mining giant Cameco Corporation, the largest public uranium producer in the world, holds a large number of claims immediately to the south of the Company’s Matoush and Eclat properties, and has conducted a range of exploration activities in recent years, primarily geophysics. A drilling program is currently underway.

The results of exploration conducted by Uranerz Exploration and Mining in the early 1980s before uranium prices tumbled, as well as those obtained by the Company in 2006, indicate that the Matoush property has excellent potential.

Uranerz only explored a 900-metre section of the Matoush structure, which had been traced over 3,900 metres on this property. This exploration work included holes drilled at a spacing of about 200 metres. Hole AM-15, which returned a 16-metre intersection grading 0.95% U<sub>3</sub>O<sub>8</sub> (19 lbs/ton), considered very significant in the industry, served as the Company’s point of departure for exploration of the property. It is clear that the excellent drill results obtained by the Company in 2006 created renewed interest in uranium exploration in the Otish Mountains, with various exploration companies taking positions in the area.

The holes drilled on the Matoush property indicate that the uranium mineralization is closely linked to the tourmaline alteration on both sides of a gabbro dike in the sediments. The alteration envelope associated with the Matoush structure is

symmetrical, with an average thickness of 40 metres. Typically, adjacent to and moving outward from the dike is first a tourmaline zone, then a chlorite-fuschite-muscovite zone and a limonite-hematite zone. The intensity of the tourmaline alteration appears to increase with depth, with the best grades associated with the most intense alteration.

## Exploration Work

Your Company was very active in exploration on the Matoush property in 2006, with various activities carried out from February 2006 on, mainly drilling. The results were extremely encouraging. A helicopter-borne radiometry, magnetic and electromagnetic survey covering the entire Matoush project over about 1,410 line-kilometres was also done, along with prospecting.

The holes drilled on the Matoush property served to confirm the presence of the ACF (Active Channel Facies), favourable to the deposition of uranium mineralization. This observation, based on the technical report for the last drilling program by Uranerz in 1984, as well as in-depth reading of each of the holes drilled by the Company in 2006, proved to be a valuable guide for exploration, and particularly for the identification of future drill targets.

The Matoush mineralized showing lies in the Indicator Formation, in the the Otish Mountain Paleoproterozoic sedimentary basin. Locally, the Indicator Formation is subdivided into repetitive sequences of two main facies. The first, the Active Channel Facies, or ACF, is composed of relatively coarse, immature arkosic-to-sub-arkosic sandstone. The second, the Channel Bar Facies, or CBF, consists of relatively fine, mature arkosic sandstone, finely laminated with some cross-lamination. Three pairs of ACF-CBF have been identified in holes drilled by the Company in 2006 and the old Uranerz drill holes.

To date, three main ACF and two intercalated CBF have been identified from surface. The first ACF extends from surface to -40 metres, the second from -200 to -260 metres and the third from -360 to -460 metres, remaining open at depth as the deepest hole drilled by the Company was to -460 metres.

From March 22 to December 17, 2006, 38 holes totalling 13,668 metres were drilled by one drill operated by Major Drilling International Ltd of Val d'Or. Drilling was ongoing, except for during the thaw period from April 17 to June 16.

With the exception of one hole (MT-06-17) that targeted the upper part of the ACF below -400 metres and another drilled in the upper facies near surface (MT-06-24), the 2006 holes were drilled in the AM-15 zone and its northern extension. The Matoush structure, which has been identified over a distance of eight kilometres, was tested by drilling over 720 metres in 2006, and remains open in both directions. The Company received chemical analysis results in 2006 from Saskatoon Research Centre (SRC) laboratories for 25 of the 38 holes drilled during the year and for the remaining 13 holes on February 16, 2007. The results were released on February 20, 2007.

The results obtained on the AM-15 zone proved excellent, confirming the high-grade potential over substantial widths.

The best results obtained included the following holes. The value in US \$ per ton was calculated based on a uranium price of \$85.00 per ton.

MT-06-04	1.01% U <sub>3</sub> O <sub>8</sub>	14.1 m. – 20.2 lb/ton	US \$1,720/ton
MT-06-05	1.54% U <sub>3</sub> O <sub>8</sub>	9.5 m. – 30.8 lb/ton	US \$2,620/ton
MT-06-09	1.68% U <sub>3</sub> O <sub>8</sub>	5.6 m. – 33.6 lb/ton	US \$2,860/ton
MT-06-10	1.12% U <sub>3</sub> O <sub>8</sub>	10.8 m. – 22.4 lb/ton	US \$1,900/ton
MT-06-30	2.10% U <sub>3</sub> O <sub>8</sub>	12.4 m. – 42.0 lb/ton	US \$3,570/ton
MT-06-35	2.13% U <sub>3</sub> O <sub>8</sub>	15.2 m. – 42.6 lb/ton	US \$3,620/ton

These results compare favourably to Hole AM-15 drilled by Uranerz in the early 1980s (0.95% U<sub>3</sub>O<sub>8</sub> over 16 metres). The first holes drilled by the Company in March 2006, particularly Hole MT-06-02, which was a duplicate of Hole AM-15, returned 0.74% U<sub>3</sub>O<sub>8</sub> over 18.2 metres. Note that the section of 0.95% U<sub>3</sub>O<sub>8</sub> over 16 metres includes a very high grade of 20.4% U<sub>3</sub>O<sub>8</sub> over 0.5 metre. The first 29 holes drilled by the Company did not intersect very high grades. However, Hole MT-06-30 with a pierce point 50 metres north of Hole AM-15 in the upper ACF and Hole MT-06-35 with a pierce point in the lower ACF, 42 metres from Hole MT-06-30 and 25 metres from Hole AM-15, confirmed the existence of very high grades, with 16.6% U<sub>3</sub>O<sub>8</sub> over 0.3 metre for MT-06-30 and 11.16% U<sub>3</sub>O<sub>8</sub> over 0.9 metre for MT-06-35. Intersections for holes MT-06-30 (2.10 % U<sub>3</sub>O<sub>8</sub> over 12.4 metres) and MT-06-35 (2.13% U<sub>3</sub>O<sub>8</sub> over 15.2 metres) proved to be the best to date for the property as a whole. Radiometry on the core showed impressive counts-per-second (“cps”) of up to 65,000.

The last holes drilled in 2006 on the AM-15 zone (MT-06-30 to MT-06-38) showed the strength of the system. In addition to holes MT-06-30 and MT-06-35 referred to above, which intersected a very high grade of more than 2.0% U<sub>3</sub>O<sub>8</sub> over a substantial average width of 13.8 metres (45 feet), Hole MT-06-36 intersected 0.78% U<sub>3</sub>O<sub>8</sub> over an impressive width of 23.4 metres (77 feet).

Definition drilling therefore led to a substantial increase in the number of pounds of uranium in the AM-15 zone.

Compelling results were generated by holes MT-06-31, 32, 33 and 37, drilled in the northern extension of Hole MT-06-30, and particularly by Hole MT-06-32. These holes were drilled to test the uranium potential at the ACF/CBF contacts. Hole MT-06-32 was a pleasant surprise, intersecting two mineralized sections in the CBF, the first returning 1.66% U<sub>3</sub>O<sub>8</sub> over 5.5 metres from the fault hangingwall, and the second yielding 0.81% U<sub>3</sub>O<sub>8</sub> over 3.3 metres at the level of the fault.

Exploration holes MT-06-20 to MT-06-27, drilled on a grid of about 100 metres to the north of the AM-15 zone, all intersected the fault with typical alteration. Radiometry on the core indicated weak-to-moderate values of up to 2,500 cps, corresponding to Hole MT-06-25, which intersected 0.20% U<sub>3</sub>O<sub>8</sub> over 1.5 metres in the CBF.

To date in 2007, drilling has been focused on the southern extension to the AM-15 zone. Core radiometry readings for the first holes, MT-07-01 and MT-07-06, were encouraging.

Once the ice on the lake near the camp is thick enough, the second drill already on site will be moved approximately 250 metres south of AM-15 to drill a high-priority target. The move is expected to take place in the second week of March 2007.

The target area corresponds to the best intersection obtained in 1984 by Uranerz Exploration and Mining in the ACF near surface, namely AM-09, which returned a grade of 0.29% U<sub>3</sub>O<sub>8</sub> over 4 metres. In comparison, Hole AM-06, drilled near surface above AM-15, intersected 0.30% U<sub>3</sub>O<sub>8</sub> over 0.55 metre. The potential of this area is increased by the presence of numerous sub-angular blocks discovered recently by one of the Company's prospecting crews, about one kilometre south of the target area. High radiometry of 20,000 to 30,000 cps were obtained repeatedly on these blocks, which show the fuschite alteration typical of the Matoush project uranium zones.

A third, lighter drill will be mobilized by helicopter at the end of March. The arrival of the second drill on site allowed the first deep hole to be started on February 19, 2007 to explore the contact (discordance) between the sediment and the bedrock, expected to occur at a depth of approximately 900 metres. The first hole will establish the stratigraphy of the sediments and the number of ACF-type sedimentary units in which high uranium grades have been discovered to date on the Matoush property. The Athabaska Basin is known to host perched deposits with grades similar to those found at Matoush, with the richest deposits located at or near the discordant sediment/bedrock contact.

Repairs to the winter road began in mid-January 2007 and a new 12-kilometre section was built. An impressive quantity of equipment has been mobilized, including a 45-person camp, which will be operational two months earlier than expected, in mid-April. Management is very proud of this accomplishment, and wishes to thank all those who participated in this assignment.

Thanks to a major private, non-flow-through financing of \$25,000,000 completed in late January by management, your Company is in an excellent financial position to continue to aggressively explore the Matoush project by carrying out, among other things, a drilling program of over 30,000 metres.

## **Eclat Property**

### **Location and Access**

The Eclat property is located in the Otish Mountains of northern Québec, immediately south of the Matoush property. The property is accessible by helicopter as well as by the winter road that links the Eastmain mine to Témiskamie.

## **Mining Claims**

The property consists of 90 mining claims covering 4,787 hectares. Vija Ventures Corporation holds a 100% interest in the property.

A letter of intent dated July 12, 2005 grants Strateco an option on a 100% interest. The interest applies to all minerals except diamonds.

The agreement provides for the Company to earn its 100% interest by making payments totalling \$150,000 over four years, including \$7,000 on signature of the agreement and \$7,000 on the first, \$20,000 on the second, \$20,000 on the third and \$96,000 on the fourth anniversary, by carrying out \$500,000 in exploration over four years and by issuing 600,000 common shares of the Company over three years, of which 200,000 have already been issued. The property is subject to a 2% NSR.

## **Uranium Potential**

The property is strategically located in a relatively unexplored area with known uranium potential. It is bordered to the north by the Matoush property, wholly-owned by the Company, and to the south by ground recently staked by Cameco Corporation, the world's largest public uranium producer.

The property lies in the southern extension of the Matoush structure, which was traced by Uranerz over 3,900 metres using ground VLF surveys conducted in the early 1980s. The holes drilled by Uranerz and Strateco clearly show strong uranium potential.

The Matoush structure also appears to continue for at least two kilometres on the Eclat property, which adds to its value.

## **Exploration Work**

Hole EC-06-01, drilled 5.8 kilometres south of Uranerz Hole AM-15, primarily to maintain certain mining claims in the area, confirmed the southern extension of the Matoush fault.

The results were compelling. The structure was intersected at 111 metres down the hole, at a vertical depth of 76 metres. While unmineralized, the typical tourmaline alteration of the structure was intersected over a 10-metre section, with the fault appearing to be strongly chloritized. This hole therefore confirms the presence of the Matoush structure over a distance of more than seven kilometres.

The radiometry and magnetometry survey carried out by Aeroquest Limited in the fall of 2006 on the Matoush property also covered the entire Eclat property.

## **Matoush Extension Property**

The Matoush Extension property is located north, west and east of the Matoush property.

## **Mining Claims**

Wholly-owned by the Company, the Matoush Extension property consists of 198 claims covering 11,504 hectares. These mining claims were acquired by the Company in the fall of 2005 and the winter and summer of 2006 to protect the area in the vicinity of the Matoush and Eclat properties.

The northern border of the property is very close to the northern edge of the Otish Basin. The property is broken up by a row of mining claims belonging to Pacific Bay.

With the addition of the Matoush Extension property, the Matoush project as a whole covers 23 kilometres along its north-south axis, intersected by a 900-metre section belonging to Pacific Bay.

## **Exploration Work**

No significant exploration work was conducted on the Matoush Extension property except for the radiometry and magnetometry survey, which covered most of the property.

## **MONT-LAURIER PROPERTY – U<sub>3</sub>O<sub>8</sub> 100% INTEREST**

### **Location and Access**

The Mont-Laurier project is located in Pérodeau Township, 40 kilometres northeast of Mont-Laurier, Québec. The property is easily accessible by paved road from Mont Laurier.

### **Mining Claims**

The project consists of 80 claims that cover an area of 4,710 hectares. Strateco owns a 100% interest in the property, acquired at the end of March 2005.

### **Uranium Potential**

The ground acquired lies within the Cabonga-Mont-Laurier radioactive district of the Grenville geological province. Intensive exploration work was conducted in the area from 1969 to 1981, after Canadian Johns-Manville discovered uranium mineralization in 1967.

Strateco's property covers ground previously held by Mont-Laurier Uranium Mines in the 1970s. The claims block straddles the crest of a northeast-trending anticline and covers the high-potential southern extension of the Tom Dick uranium zones.

The uranium occurs mainly as disseminated uraninite in metamorphosed white pegmatites, as well as in biotite gneiss and impure biotite feldspathic quartzites. The paragneiss covers Archean granite gneiss exposed mainly in the eroded windows along the crest of the major northeast-trending anticlinal folds.

Two white pegmatite uranium zones have been identified in the centre-south portion of the ground held by the Company, previously known as the Lac Hanson claims. The largest zone, which is six metres thick and dips 20° to the northwest, has been traced over a distance of 365 metres to the northeast by trenching. Previous work reported an estimate of 544,000 tons grading 0.075% U<sub>3</sub>O<sub>8</sub>, or 1.5 lb/ton. The central portion of Strateco's property, on the same axis between the Lac Hanson and the Tom Dick zones, remains virtually unexplored due to the fluvio-glacial overburden.

To the north of the property, various zones of radioactive metamorphosed white pegmatite identified by Allied Mining, Canadian Johns-Manville and Mont-Laurier Uranium Mines Inc. indicate a potential for high-tonnage, low-grade, uranium deposits near surface and minable by open pit. SOQUEM also identified molybdenite in the white uranium-bearing pegmatite that could represent a subproduct and improve the economics of the deposit.

While the Mont-Laurier district is classified under pegmatite-type deposits, it displays a geological context similar to the deposit-rich geology of the Athabaska basin in Saskatchewan. Both contexts lie along a major discordance in the deformed bedrock underlying the Proterozoic sedimentary basin. The pegmatite origin of the rocks hosting the Mont-Laurier mineralization is the result of anatexis of the sandstone units during high-intensity metamorphism.

In the past, Allied-Mining, Canadian Johns-Manville and Mont Laurier Uranium Mines Inc. all confirmed the area's potential for high-tonnage, low-grade open-pit operations. This renewed interest in uranium exploration has been prompted by the meteoric rise in uranium prices from US \$6.00 to \$85.00/lb in recent years. Given its location, the sustained rise in uranium prices and growing demand for alternative energy sources, the Mont-Laurier property is a solid addition to the Company's property portfolio.

## **Exploration Work**

The Company initiated exploration work on the Mont-Laurier project in the summer and fall of 2006.

First, in mid-June 2006, a helicopter-borne geophysical survey was done over the entire property. The radiometry, Mag and ULF survey was flown along lines spaced at 100 metres, totalling 885 line-kilometres. Various anomalous zones were identified.

The radiometry anomalies, particularly the uranium anomalies, are primarily concentrated along a 200- to 1,000-metre wide, northeast striking band that crosses the entire property. This band of anomalies covers a distance of over 14 kilometres. The two most strongly-anomalous areas are in the north and south of the property, in the southern extension of the Tom Dick showing on the adjacent property owned by Nova Uranium and the Lac Hanson area, where a resource (not 43-101-compliant) of 544,000 tonnes grading 0.075%  $U_3O_8$  was reported based on work done in the 1970s.

Following this survey, prospecting was carried out on the most promising areas. This work primarily consisted of scintillometry prospecting over approximately 26 line-kilometres, blasting and collection of 73 samples in the Tom Dick area. Some 11.2 kilometres of linecutting was done in the Lac Hanson area.

This exploration work resulted in the identification of zones of high radioactivity (many times the background level) in the Tom Dick South, Hanson West and Hanson Centre areas. Occasional readings of over 10,000 cps were seen.

Local outcrop spectrometry measurements (GR-135 spectrometer) confirmed the presence of uranium in association with the target helicopter-borne anomalies. For instance, on an outcrop containing white pegmatite on Tom Dick South, the unit recognized as the host of uranium mineralization showed readings of 1,800 to 2,500 cps. Readings of 2,000 to 10,250 cps were recorded at sites on Hanson West, and 4,800 cps on Hanson Centre.

An initial drilling program started on January 19, 2007 on the Mont-Laurier property. The 3,000-metre, 35-hole program covers the Lac Hanson areas, the central part and the Tom Dick, which has never been tested by drilling.

Area A (Lac Hanson West) corresponds to a large radiometry anomaly over 800 metres by 300 metres that was stripped in the 1970s, with two holes drilled in 1973. The scintillometry survey located and confirmed the anomalous zone. The 2007 drilling is aimed at testing this zone in a preliminary fashion, on a loose drill grid. A series of 29 holes (2,400 metres) will be drilled on a 100-by-100-metre grid. These vertical holes of about 80 metres will test a subhorizontal zone of granitic gneiss/white pegmatite bedding that dips 20° west-northwest.

Area B corresponds to the extension of the radiometry response that extends from Area A to Area C. The geology and the explanation for the surface radiometry are not well-known. Regional folding may have raised fertile bands of white pegmatite similar to those exposed on the Tom Dick showings. Limited prospecting also shows numerous large blocks of radioactive white pegmatite of unknown origin. Two grassroots-type 100-150-metre drill holes (300 metres of drilling) are planned to test this area and identify new zones of mineralization.

Area C lies in the southern extension of the Tom Dick showings, in a favourable radiometry context confirmed by mapping done by SOQUEM in 1982, and by sampling done by Strateco in 12 trenches scattered along 300 metres in the fall of 2006, for which results are still pending.

A line of three vertical 100-metre drill holes totalling 300 metres distributed along a 500 metre section are planned to test the geology underlying this area. The holes will test the area below the trenches that showed white pegmatite on surface.

## **DISCOVERY AND CAMERON PROPERTIES – AU 100% INTEREST**

The Company transferred its gold assets, including the Discovery and Cameron properties, to Cadiscor Resources Inc. on August 17, 2006. The properties are located near Lebel-sur-Quévillon, Québec.

The Company did not conduct any significant exploration on Discovery in 2006. The 2,500-metre drilling program that started on December 6, 2005, on the Cameron property was completed on January 26, 2006. In all, 10 holes were drilled for a total of 2,547 metres. The holes intersected the Cameron structure at vertical depths of between -100 and -290 metres. The best results were obtained in Hole CAM-05-11, 700 metres to the west of Hole CAM-03-02, drilled in December 2003. The hole returned an intersection of 6.18 g/t Au over 0.4 metre in a carbonatized andesite with centimetre-sized calcite veinlets containing 5% sphalerite.

## **OTHER PROPERTY**

### ***QUÉNONISCA PROPERTY – ZN, PB, CU, AG*** **OPTION TO EARN A 50% INTEREST**

The Quénonisca property consists of 33 claims for a total area of 1,799 hectares. It lies 180 kilometres northwest of Chibougamau, Québec.

On February 26, 1996, Altavista Mines Inc. (“Altavista”) obtained an exclusive, irrevocable option from SOQUEM to acquire a 50% undivided interest in the Quénonisca property as consideration for exploration work to be carried out under SOQUEM’s direction for a total of \$75,000, plus an undertaking by Altavista to subsequently finance a minimum of \$127,500 in exploration work by February 28, 1997. In 1997, stripping and drilling were carried out on the property. The option was transferred to the Company in 2002. The best hole returned values of 1.08% Zn, 7.5 g/t Ag and 0.44% Pb over 3.80 metres, including 2% Zn, 7.00 g/t Ag and 0.53% Pb over 0.90 metre. In 1998, three sulfide occurrences in stockworks were discovered on the Montagnes-Nord grid by SOQUEM. These showings were the Perséïdes (2.05% Cu), St-Georges (2.21% Pb and 0.46% Zn) and Renversé (1.75 g/t Au, 4.26% Pb and 0.83% Zn).

In 1999, SOQUEM carried out a linear 19.6 line-kilometre magnetometer and Max-Min survey on the Montagnes-Nord grid. Various good conductors were detected by this survey.

In the fall of 2000, SOQUEM conducted a 1,050-metre, eight-hole drilling program in order to test the best conductors detected in 1999. Numerous sections of mineralized cherts ranging in width from 6 to 21 metres and containing over 0.50% base metals (Zn-Pb) were intersected. Several lenses of pyrrhotite-rich massive sulfides were identified, with Hole 00-10 returning the most significant values: 1.65% Zn, 2.69% Pb and 37.60 g/t Ag over 1.35 metres. The Company contributed 50% of the total \$201,173 program cost for 2000

No significant work has been carried out on the Quénonisca property since 2001. However, the mining claims have been renewed.

# Management Discussion and Analysis

## Nature of the Company

The Company was incorporated under the Canadian Business Corporations Act on April 13, 2000.

The Company is primarily engaged in the exploration of mining properties with a view to commercial production. The Company does not presently have any properties in production. The Company owns or has interest in various mining properties in Québec.

Recovery of the cost of mining assets is subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to pursue exploration and development of its properties and profitable future production or the proceeds from the sale of properties.

The Company must periodically obtain additional funds to pursue its activities, and its ability to do so in the past is no guarantee of its success in doing so in the future.

## Exploration Activities

Fourth quarter exploration activities amounted to \$2,222,517 (\$330,487 in 2005). Expenses were higher than in 2005 as the Company conducted more extensive exploration on its properties during the period.

## Selected Annual Information

	<b>December 31, 2006</b> <b>(12 months)</b> \$	<b>December 31, 2005</b> <b>(12 months)</b> \$
<b>Income</b>		
Interest	264,008	2,246
<b>Expenses</b>		
General and administrative expenses	1,675,854	639,050
Write-off of deferred expenditures	66,545	561,020
Future income tax (benefit)	728,600	(374,600)
<b>Net loss</b>	2,206,990	823,224
<b>Net loss per share, basic and diluted</b>	0.03	0.02
<b>Total assets</b>	15,270,641	4,731,443
<b>Current liabilities</b>	1,555,924	700,951
<b>Shareholders' equity</b>	13,714,717	4,006,092

## Results of Operations

The Company posted a net loss of \$2,206,990 for fiscal year 2006 compared to \$823,224 for fiscal year 2005. General and administrative expenses increased by \$1,036,804 (162%) in 2006 relative to 2005. The increase in general and administrative expenses was mainly due higher investor relations expenses of \$552,891 (737%), stock-based compensation expenses of \$164,941 (207%), professional fees and legal and audit expenses of \$128,195 (44%) and shareholder communications expenses of \$80,635 (146%).

Amounts for fiscal year 2006 were higher than in 2005 for the following reasons: 1) Beginning early in fiscal year 2006, the Company increased its public relations efforts in order to raise its profile, which permitted it to complete four private placements and ensure the exercise of warrant and stock options, thereby raising \$14,909,689. 2) During the year, the Company granted 1,204,000 stock options to its directors, officers, employees and a group specializing in investor relations, which generated a charge related to the issuance of options, as well as an additional charge for professional fees and legal expenses.

The Company earned \$264,008 in interest income to December 31, 2006, compared to \$2,246 in 2005.

The Company did not record any sales as none of its properties are in production.

### Quarterly Financial Information

The following table contains selected financial information for the last eight quarters.

	2006			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Total revenue	\$ 7,456	\$ 30,798	\$ 111,752	\$ 114,002
Net loss	\$ 401,072	\$ 483,891	\$ 274,118	\$ 1,047,909
Net loss per share	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.01

	2005			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Total revenue	\$ 1,238	\$ 174	\$ 130	\$ 704
Net loss	\$ 167,095	\$ 155,047	\$ 100,134	\$ 400,948
Net loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

### Cash Assets

The Company's working capital increased to \$10,005,132 from \$682,491 at the beginning of the year. This increase was mainly due to four private placements completed during the year for a total of \$10,760,000 and the exercise of stock options for a total of \$532,800 and of warrants for a total of \$3,616,889. These funds will be used to carry out the exploration programs planned for 2007.

### Sources of Financing

In the fourth quarter, \$354,900 was raised through the exercise of warrants and \$171,525 through the exercise of options. Consequently, the Company issued 2,167,000 common shares.

### Dividend Policy

The Company has not declared any cash dividend on its outstanding common shares since its inception. Any future declaration of dividend will depend on the Company's financial requirements for its exploration programs and future growth, as well as any other factor that the Board of Directors may deem necessary under the circumstances. It is unlikely that any dividend will be paid in the near future.

### Off Balance-Sheet Arrangements

The Company has no off balance-sheet arrangements.

### Related-Party Transactions

During the year, Strateco Resources Inc. created a new company, Cadiscor Resources Inc., so as to separate its gold and uranium properties. The Company therefore transferred its Discovery, Cameron and Montbray properties along with deferred expenditures with respective carrying values of \$312,750 and \$3,112,422 in consideration of 20,000,000 shares of Cadiscor Resources Inc. valued at \$3,200,172 and \$225,000 in cash. The Company then transferred its investment in Cadiscor Resources Inc. to its shareholders through a \$3,200,172 reduction in paid-up capital.

Following this operation, a future income tax benefit of \$753,000 was credited to contributed surplus.

The Company conducted the following transactions with another company for which a Strateco director also serves as director.

	<b>2006</b>	<b>2005</b>
Expenses capitalized under deferred expenditures		
Consultants and subcontractors	\$ 197,000	\$ 120,000
Management fees	\$ 583,000	\$ 65,000
General and administrative expenses on the earnings statement		
Professional fees	\$ 228,000	\$ 176,000
Legal expenses	\$ 61,000	\$ 67,000
Investor relations	\$ 123,000	27,000
Rent	\$ 39,000	\$ 39,000
Share issue costs accounted for in reduction of capital stock	\$ 57,000	\$ 70,000

### **Accounting Value of Mining Properties**

At the end of each year, work done is assessed to determine the future potential of each property, and write-offs are taken as appropriate.

### **Financial Instruments**

#### Fair Value

The fair value of short term financial instruments is assumed to be equal to book value according to their next maturity and the normal market conditions that they entail.

#### Interest Rate Risk

In management's opinion, the Company was not exposed to any interest rate risk at December 31, 2006.

### **Outstanding Share Data**

The Company had 96,373,367 shares issued and outstanding at December 31, 2006 (61,771,257 at December 31, 2005) for a value of \$18,962,859 (\$7,898,833 at December 31, 2005).

#### Share Capital

The Company's authorized share capital consists of an unlimited number of common shares, without par value.

At March 5, 2007, 106,545,863 shares were issued and outstanding.

### **Risks and Uncertainties**

#### Exploration and Mining

Exploration and mining activities are subject to a high level of risk. Few exploration properties reach the production stage. Unusual or unexpected formations, fires, power failures, labour conflicts, floods, rockbursts, subsidence, landslides and the inability to locate the appropriate or adequate manpower, machinery or equipment are all risks associated with mining activities and the execution of exploration programs.

The development of resource properties is subject to many factors, including the cost of mining, variations in the material mined, fluctuations in the commodities and exchange markets, the cost of processing equipment and other factors such as aboriginal claims, government regulations including in particular regulations on royalties, authorized production, importation and exportation of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the exploration expenses incurred by the Company will result in the discovery of commercial quantities of ore. Most exploration projects do not result in the discovery of ore.

### Environmental and Other Regulations

Current possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Company or its ability to develop its properties economically. Before a property can enter into production, the Company must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained, nor that they will be obtained in a timely manner. The cost related to assessing changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Company considers itself to be in material compliance with the existing environmental legislation.

### Financing and Development

The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to obtain the additional financing required. There can be no assurance that the Company will succeed in obtaining the required funding. Failure to do so may lead to substantial dilution of its interests (existing or proposed) in its properties. Furthermore, the Company has limited experience in developing a resource property, and its ability to do so depends on the use of experienced people or in the signature of agreements with major resource companies that can produce such expertise.

### Commodities Prices

The market for gold, diamonds, base metals or any other mineral discovered can be affected by factors beyond the Company's control. Resource prices have always fluctuated widely, particularly in recent years. The impact of these factors cannot be accurately predicted.

### Insurance

The Company could become liable for subsidence, pollution and other risks against which it cannot insure itself or chooses not to insure itself due to the high cost of premiums or for some other reason. Payment of such liabilities could decrease or even eliminate the funds available for exploration or mining activities.

### **Outlook**

The substantial \$25,000,000 non-flow-through financing completed in late January 2007, along with funds raised by management in 2006, places your Company in a solid financial position, with over \$30,000,000 in cash. The operating budget for fiscal 2007 is \$16,600,000.

Given the quality of the exploration and drill results on Matoush and a better understanding of the uranium industry, it is clearly in the shareholders' best interest to finish assessing the Matoush resource and begin the process of obtaining a mining permit and conducting a feasibility study as of the spring of 2006.

Due to repairs and construction on the winter road leading to the Matoush property, the Matoush camp now has all the fuel it requires for 2007. All the materials required for the construction and operation of the new 45-person camp has been brought to the site. Two additional drills have also been transported to the site via the winter road.

With the three drills now on site, 30,000 metres of drilling will be completed in about 80 holes, including several deep holes that will test the sedimentary/bedrock contact.

Two drills will be used to delineate the AM-15 zone resource. Work on a 43-101-compliant resource estimate should begin in June 2007, to be used as a basis for a scoping study to be done in the summer of 2008.

Shareholder and investor relations will continue to be a priority in 2007, which promises to be as interesting as was 2006.

## Information Disclosure Controls and Procedures

The Chief Executive Officer and the person performing similar functions to a Chief Financial Officer are responsible for assessing the effectiveness of information disclosure controls and procedures. They have concluded that such controls and procedures are effective and reliable at the end of the period covered by the annual documents.

## Additional Information and Continuous Disclosure

This management discussion and analysis was prepared as of March 5, 2007. Updated information disclosed through press releases or financial statements can be found on the SEDAR ([www.sedar.com](http://www.sedar.com)) and EDGAR ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)) websites.

## FINANCIAL SUMMARIES

The following tables provide selected financial information for the past three financial years.

### FOR THE PAST THREE FINANCIAL YEARS

	2006	2005	2004
Total income	\$ 264,008	\$ 2,246	\$ 4,886
Net loss	\$ 2,206,990	\$ 823,224	\$ 556,238
Net loss per share	\$ 0.03	\$ 0.02	\$ 0.01
Exploration expenses	\$ 3,176,756	\$ 71,294	\$ 880,414
Total assets	\$ 15,270,641	\$ 4,731,443	\$ 3,878,400
<b>Shareholders' equity</b>	<b>\$ 13,714,717</b>	<b>\$ 4,006,092</b>	<b>\$ 3,677,752</b>

## Management's Report

The management of the Company is responsible for the preparation of the financial statements and the financial information included in this annual report. Management maintains a system of internal control to produce reliable financial statements and to provide reasonable assurance that assets are safeguarded.

The financial statements are prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgments of management. Petrie Raymond LLP, chartered accountants, was appointed by the shareholders as external auditors of the Company. Their report, presented below, expresses an opinion on the financial statements.

The audit committee meets with the external auditors, with management present, to review the financial statements and to discuss audit-related matters.

On the recommendation of the audit committee, the Board of Directors has approved the Corporation's financial statements for 2006.

(Signed ) Guy Hébert  
President and Chief Executive Officer

(Signed) Pauline Comtois  
Treasurer

Boucherville, Canada  
March 21, 2007

## **Auditors' Report to the Shareholders**

We have audited the balance sheets of Strateco Resources Inc. as at December 31, 2006 and 2005 and the statements of deferred expenditures, earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 statements presentation.

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

Chartered Accountants

Montreal, Canada  
March 5, 2007

# Financial Statements

## BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 561,344	\$ 768,601
4.65% term deposit	8,680,857	-
Tax credits receivable	1,476,785	16,984
Sales tax recoverable	315,633	78,776
Subscriptions receivable	-	501,900
Deposits on exploration work	500,000	-
Prepaid expenses	26,437	17,181
	11,561,056	1,383,442
MINING PROPERTIES (Note 4)	459,000	161,750
DEFERRED EXPENDITURES (Note 5)	3,250,585	3,186,251
	\$ 15,270,641	\$ 4,731,443
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued charges (Note 11)	\$ 1,555,924	\$ 590,951
Term loans (Note 11)	-	110,000
	1,555,924	700,951
FUTURE INCOME TAXES (Note 12)	-	24,400
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 6)	18,962,859	7,898,833
Contributed surplus (Note 8)	1,022,264	170,675
Deficit	(6,270,406)	(4,063,416)
	13,714,717	4,006,092
	\$ 15,270,641	\$ 4,731,443

See notes to financial statements.

ON BEHALF OF THE BOARD

\_\_\_\_\_  
(Signed) Guy Hébert, Director

\_\_\_\_\_  
(Signed) Robert Desjardins, Director

**STATEMENTS OF DEFERRED EXPENDITURES**  
YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

	2006	2005
EXPLORATION EXPENSES		
Consultants and subcontractors	\$ 3,362,528	\$ 515,958
Professional fees	371,497	14,536
Management fees	584,865	65,030
Travel expenses	217,677	18,407
Supplies and equipment rental	135,604	13,232
General exploration expenses	43,583	5,151
	4,715,754	632,314
Mining duties credits and other related exploration credits	(1,472,454)	-
Write-off of deferred expenditures	(66,544)	(561,020)
NET INCREASE IN EXPLORATION EXPENSES	3,176,756	71,294
BALANCE, BEGINNING OF YEAR	3,186,251	3,114,957
TRANSFERRED EXPLORATION EXPENSES (Note11)	(3,112,422)	-
BALANCE, END OF YEAR	\$ 3,250,585	\$ 3,186,251

See notes to financial statements.

**STATEMENTS OF EARNINGS AND DEFICIT**  
YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

	2006	2005
INTEREST INCOME	\$ 264,008	\$ 2,246
GENERAL AND ADMINISTRATIVE EXPENSES		
Professional fees	259,745	176,340
Legal and audit expenses	159,563	114,773
Stock-based compensation	244,541	79,600
Directors' fees	18,600	19,000
Shareholder communications	135,934	55,299
Investor relations	627,947	75,056
Listing and registrar fees	25,558	18,049
Social benefits related to stock options	53,582	-
Travel expenses	9,169	5,552
Rent	38,400	37,000
Insurance	23,734	17,404
Office expenses	24,360	11,848
Taxes and permits	29,517	2,742
Part X11.6 penalty tax	11,075	13,915
Interest, penalties and bank charges	14,129	12,472
	1,675,854	639,050
Write-off of deferred expenditures	66,544	561,020
	1,742,398	1,200,070
LOSS BEFORE INCOME TAXES	1,478,390	1,197,824
FUTURE INCOME TAX (BENEFIT) (Note 12)	728,600	(374,600)
NET LOSS	2,206,990	823,224
DEFICIT, BEGINNING OF YEAR	4,063,416	3,240,192
DEFICIT, END OF YEAR	6,270,406	4,063,416
BASIC AND FULLY DILUTED NET LOSS PER SHARE	\$ 0.03	\$ 0.02
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUSTANDING	82,855,371	48,908,566

See notes to financial statements.

**STATEMENTS OF CASH FLOWS**  
YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

	2006	2005
<b>CASH FLOW FROM (USED IN) OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,206,990)	\$ (823,224)
Non-cash items		
Stock-based compensation	244,541	79,600
Write-off of deferred expenditures	66,544	561,020
Future income tax	728,600	(374,600)
Changes in non-cash working capital items:		
Tax credits receivable	12,653	60,516
Sales tax recoverable	(236,857)	(20,213)
Deposits on exploration work and prepaid expenses	(509,256)	4,575
Accounts payable and accrued charges	307,243	163,467
	<u>(1,593,522)</u>	<u>(348,859)</u>
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES:</b>		
Term deposit	(8,680,857)	-
Acquisition of mining properties	(382,000)	(42,000)
Transfer of mining properties (Note 11)	225,000	-
Increase in deferred expenditures	(4,058,024)	(405,478)
	<u>(12,895,881)</u>	<u>(447,478)</u>
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:</b>		
Term loans	(110,000)	110,000
Common share issuance	15,411,589	1,564,650
Common share issue costs	(1,019,443)	(271,286)
	<u>14,282,146</u>	<u>1,403,364</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(207,257)</u>	<u>607,027</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>768,601</u>	<u>161,574</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 561,344</u>	<u>\$ 768,601</u>
<b>Additional information related to cash flows</b>		
	2006	2005
<b>Non-cash items related to operating, financing and investing activities:</b>		
Acquisition of mining properties in exchange for common shares	\$ 228,000	\$ 32,000
Deferred expenditures included in accounts payable	\$ 952,377	\$ 294,647
Transfer of mining properties and deferred expenditures	\$ 3,200,172	\$ -
Subscriptions receivable	\$ -	\$ 501,900
Common share issue costs paid for through the issuance of warrants	\$ 304,140	\$ -
Cost of future income taxes included in common share issue costs	\$ -	\$ 399,000

See notes to financial statements.

# Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

---

## 1. INCORPORATION AND NATURE OF OPERATIONS

The Company is incorporated under the Canadian Business Corporations Act and is engaged in the exploration of properties.

Recovery of amounts indicated under mining properties and the related deferred expenditures are subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to complete development and profitable future production or the proceeds from the sale of such assets. At December 31, 2006, management determined the net accounting value of mining properties to be the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### CASH AND CASH EQUIVALENTS

The Company considers cash and term deposits maturing three months or less from their acquisition date as cash and cash equivalents.

### MINING PROPERTIES AND DEFERRED EXPENDITURES

Mining properties are recorded at cost. Exploration and development costs are deferred, net of related government assistance. However, when a project is abandoned, the corresponding costs are charged against earnings.

### STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Company accounts for the allocation of share purchase options granted under the stock option plan and also accounts for the allocation of broker warrants as part of certain funding on a fair value basis. Stock options granted to non-salaried persons and broker warrants are accounted for on the basis of their fair value according to the Black-Scholes option price valuation model.

When options and broker warrants are granted, the compensation expenses are applied to the activity concerned and the consideration in contributed surplus.

Any consideration paid by the participants when options and broker warrants are exercised, as well as the contributed surplus created when options and broker warrants are allotted, are credited to capital stock.

### INCOME TAXES

The Company records its income taxes using the balance sheet method. Future income tax assets and liabilities are recorded to take into account the impact on income taxes of variances between the accounting value of certain assets and liabilities shown on the balance sheet and their respective fiscal values. A valuation allowance is recorded as required to reflect an income tax asset that is more likely to be realized than not. The impact of any changes in income tax rates is recorded in the year in which the rates change.

### BASIC AND FULLY DILUTED NET LOSS PER SHARE

The net loss per share is calculated based on the weighted-average number of common shares outstanding during the year.

# Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with generally recognized accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and current expenditures, the recoverable values for mining property and deferred exploration expenses, the environmental liability provisions and the presentation of future liabilities. Actual results could differ from these estimates.

## 3. CASH AND CASH EQUIVALENTS

	2006	2005
Cash	\$ 59 220	\$ -
Restricted cash	-	768 601
4.19% term deposit	502 124	-
	\$ 561 344	\$ 768 601

Restricted cash for exploration work is provided from flow-through public and private financings. In accordance with the financings realized as at December 31, 2005, the Company undertook to incur \$1,288,200 in exploration expenses before December 31, 2006 on the gold projects Discovery and Cameron and on the uranium projects Matoush, Eclat and Mont-Laurier Uranium. All of this amount has been incurred as at June 30, 2006 (\$12,667 during fiscal year 2005).

## 4. MINING PROPERTIES

	2006	2005
Discovery and Cameron	\$ -	\$ 87,750
Mont-Laurier Uranium	10,000	10,000
Matoush	337,000	47,000
Eclat	112,000	17,000
	459,000	161,750

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

### 5. DEFERRED EXPENDITURES

	Balance at December 31, 2005	Exploration expenses	Write-down	Balance at December 31, 2006
Mining properties				
Discovery	\$ 2,333,381	\$ 54,294	\$ (2,387,675)	\$ -
Cameron	632,028	156,963	(788,991)	-
Mont-Laurier Uranium	21,927	131,135	-	153,062
Matoush	186,236	2,804,229	-	2,990,465
Beaver Lake Area	2,300	-	(2,300)	-
Eclat	4,860	96,679	-	101,539
Prospecting	5,519	-	-	5,519
	\$ 3,186,251	\$ 3,243,300	\$ (3,178,966)	\$ 3,250,585

	Balance at December 31, 2004	Exploration expenses	Write-down	Balance at December 31, 2005
Mining properties				
Discovery	\$ 2,075,647	\$ 257,734	\$ -	\$ 2,333,381
Cardinal	559,005	2,015	(561,020)	-
Cameron	475,811	156,217	-	632,028
Mont-Laurier Uranium	-	21,927	-	21,927
Matoush	-	186,236	-	186,236
Beaver Lake Area	-	2,300	-	2,300
Eclat	-	4,860	-	4,860
Prospecting	4,494	1,025	-	5,519
	\$ 3,114,957	\$ 632,314	\$ (561,020)	\$ 3,186,251

### 6. CAPITAL STOCK

#### AUTHORIZED

An unlimited number of common shares without par value.

An unlimited number of preferred shares without par value issuable in series with rights, privileges, restrictions and conditions to be determined by the board of directors.

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

### 6. CAPITAL STOCK (CONT'D)

	December 31, 2006		December 31, 2005	
	Common shares	Amount	Common shares	Amount
<b>ISSUED AND FULLY PAID</b>				
Balance, beginning of year	61,771,257	\$ 7,898,833	48,286,119	\$ 6,826,869
In consideration of mining properties	500,000	228,000	300,000	32,000
In cash				
- Private placements	15,700,000	10,760,000	8,778,274	422,050
- Flow-through financings				
- Exercise of warrants	15,878,110	3,616,889	-	-
- Exercise of stock options	2,524,000	532,800	4,406,864	1,288,200
Reduction of paid-up capital (Note 11)	-	(3,200,172)	-	-
Amounts from contributed surplus (Note 8)				
- Exercise of warrants	-	257,139	-	-
- Exercise of stock options	-	192,953	-	-
Issue costs				
- Professional fees	-	(1,019,443)	-	(271,286)
- Attribution of warrants	-	(304,140)	-	-
- Future income taxes	-	-	-	(399,000)
<b>Balance, end of year (a)</b>	<b>96,373,367</b>	<b>\$ 18,962,859</b>	<b>61,771,257</b>	<b>\$ 7,898,833</b>

(a) 187,500 common shares are escrowed and cannot be transferred, mortgaged, pledged or otherwise disposed of without the consent of the *Autorité des Marchés financiers* (Québec Securities Commission).

### WARRANTS

At December 31, 2006, there were 5,143,500 warrants outstanding (8,842,009 in 2005), each entitling its holder to purchase one share of the Company. Changes to the warrants are shown in the following table:

	2006		2005	
	Number	Weighted-average strike price	Number	Weighted-average strike price
Balance, beginning of year	8,842,009	\$0.20	4,005,816	\$0.23
Issued	12,800,000	\$0.61	6,763,276	\$0.18
Exercised	(15,878,110)	\$0.23	-	\$ -
Expired	(620,399)	\$0.24	(1,927,083)	\$0.24
<b>Balance, end of year</b>	<b>5,143,500</b>	<b>\$1.12</b>	<b>8,842,009</b>	<b>\$0.20</b>

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

### 6. CAPITAL STOCK (CONT'D)

See notes to the following table.

The strike prices and the expiry dates of the warrants are shown in the following table:

Strike price	Number	Expiry
\$1.50	3,600,000 <sup>(1)</sup>	November 30, 2007
\$0.20	523,500	January 18, 2008
\$0.26	1,020,000 <sup>(2)</sup>	February 8, 2008
	5,143,500	

(1) As of October 21, 2006, the Company may notify holders of warrants of its intention to force the exercise of warrants should the shares of the issuer trade on the TSX Venture Exchange at a price equal to or greater than \$1.70 per share for a period of 20 consecutive trading days. On receipt of such notice, the holder will have 30 calendar days to exercise the warrants, after which they will expire.

(2) As of September 10, 2006, the Company may notify holders of warrants of its intention to force the exercise of warrants should the shares of the issuer trade on the TSX Venture Exchange at a price equal to or greater than \$0.50 per share for a period of 20 consecutive trading days. On receipt of such notice, the holder will have 30 calendar days to exercise the warrants, after which they will expire.

During the year ended December 31, 2006, 11,600,000 warrants (6,763,276 in 2005) were issued pursuant to private placements.

During the year ended December 31, 2006, 15,878,110 warrants (no warrants in 2005) were exercised.

During the year ended December 31, 2006, the Company granted 1,200,000 broker's warrants (none in 2005). The fair value of each warrant granted was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted-average fair value of the warrants granted was \$0.2534 per warrant.

The following weighted-average assumptions were used in the calculations:

	2006	2005
Risk-free interest rate	2.68%	2.3%
Expected weighted average life	1 year	21 months
Expected volatility	102%	76%
Expected dividend	0.0%	0.0%

An amount of \$304,140 was recognized in the share issue costs and credited to Contributed surplus..

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

### 7. STOCK OPTION PLAN

The Company has a stock option plan for its officers, directors and key employees. A total of 3,800,000 common shares are reserved for issuance under the plan. The maximum number of options that can be granted to any participant cannot exceed 5% of the issued and outstanding shares of the capital stock. The price of the options granted may not be less than the market price of the common shares on the TSX Venture Exchange at the time the options are granted. The options granted are valid for a period established by the board of directors, not to exceed five years from the date the options are granted.

Changes to the stock options under the plan are shown in the following table:

	2006		2005	
	Number of options	Weighted-average strike price	Number of options	Weighted-average strike price
Balance, beginning of year	2,248,000	\$ 0.19	2,298,000	\$0.19
Granted <sup>(1)</sup>	1,204,000	\$ 0.37	1,648,000	\$0.18
Exercised	(2,524,000)	\$ 0.21	-	-
Expired	-	-	(1,648,000)	\$0.18
Cancelled	-	-	(50,000)	\$0.20
Balance, end of year	928,000	-	2,248,000	\$0.19

<sup>(1)</sup> 1,204,000 stock options were granted during the year ended December 31, 2006 at \$0.14, \$0.30, \$0.38, \$0.40, \$0.85, \$1.00 and \$1.50 per share. These options must be exercised within five years from the date the options are granted or no later than November 21, 2011.

The outstanding stock options and the stock options exercisable as at December 31, 2006 are shown in the following table:

Options outstanding			Options exercisable	
Weighted-average strike price	Number	Weighted-average remaining contractual life (years)	Weighted-average strike price	Number
\$0.20	569,000	3.92	\$0.20	569,000
\$0.38	25,000	4.17	\$0.38	25,000
\$0.40	175,000	4.01	\$0.40	175,000
\$0.85	100,000	4.65	\$0.85	100,000
\$1.00	50,000	4.37	\$1.00	50,000
\$1.50	9,000	4.86	\$1.50	9,000
	928,000			928,000

During the year ended December 31, 2006, the Company granted 1,204,000 stock options (1,648,000 stock options in 2005) to officers, directors and key employees. The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted-average fair value of the stock options granted was \$0.2031 per option (\$0.0483 per option in 2005).

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

### 7. STOCK OPTION PLAN (CONT'D)

The following weighted-average assumptions were used in the calculations:

	2006	2005
Risk-free interest rate	2.64%	2.0%
Expected weighted average life	1 year	2 years
Expected volatility	127%	93%
Expected dividend	0.0%	0.0%

An amount of \$244,541 (\$79,600 in 2005) was recognized in earnings and credited to Contributed surplus.

### 8. CONTRIBUTED SURPLUS

	2006	2005
Balance, beginning of year	\$ 170 675	\$ 91 075
Awards		
- Warrants (Note 6)	304 140	
- Stock options (Note 7)	244 541	79 600
Exercise of securities		
- Warrants	(257 139)	-
- Stock options	(192 953)	-
Related party transaction (note 11)	753 000	-
Balance, end of year	\$ 1 022 264	\$ 170 675

### 9. COMMITMENTS AND CONTINGENCIES

#### MINING PROPERTIES

##### *Quénonisca Property*

On February 26, 1996, Altavista Mines Inc. signed an agreement with SOQUEM pursuant to which it owns a 50% undivided interest in the 78 claims making up the Quénonisca property in the Quénonisca and Salamandre Lake district north of Matagami, Québec.

Work is financed in proportion to the respective interests, failing which the undivided interest of the non-participating party is diluted. Any dilution of an interest to 10% entails the loss of that interest in consideration of a 1% net profits royalty (as defined in the agreement) from commercial production on the property.

In April 2000, the Company entered into an agreement undertaking to respect all Altavista Mines Inc.'s rights and obligations in relation to the Quénonisca agreement with SOQUEM dated February 26, 1996.

The property now consists of 33 mining claims covering a total area of 1,799 hectares.

# Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

---

## 9. COMMITMENTS AND CONTINGENCIES (CONT'D)

### *Eclat Property*

On July 6, 2005, the Company signed a letter of intent with Vija Ventures Corporation granting the Company an option to acquire a 100% in the uranium Eclat property in the Otish Mountains of northern Québec.

The agreement provides for the Company to acquire its 100% interest in the Eclat property on all minerals except diamonds by making payments totalling \$150,000 over four years, including \$7,000 paid on signature of the agreement, \$7,000 on the first anniversary, \$20,000 on the second anniversary in 2007, \$20,000 on the third anniversary in 2008 and \$96,000 on the fourth anniversary in 2009; by incurring \$500,000 in exploration expenditures over four years; and by issuing 600,000 common shares of the Company over three years, including 100,000 on approval of the agreement by the TSX Venture Exchange, 100,000 on the first anniversary, 200,000 on the second anniversary in 2007 and 200,000 on the third anniversary in 2008. The property is also subject to a 2% NSR.

### SERVICES AGREEMENT

On August 1, 2005, the Company and BBH Géo-Management Inc. ("BBH"), a related company (Note 11), signed an agreement under which BBH will provide the Company with the following services: office space, office and computer equipment, secretarial, management, accounting and legal, geological consulting, investor and regulatory relations and financing services. The agreement is valid for a three-year period ending on July 31, 2008, and provides for a fixed monthly charge of \$3,200 for office rent, office equipment and computers that will be reviewed each year on July 31. The estimated amounts to be paid over the next two years are \$38,400 in 2007 and \$22,400 in 2008, for a total of \$60,800.

### ROYALTIES

The Company is subject to royalty payments on commercial production from certain properties.

### ENVIRONMENT

The Company's exploration activities are subject to various laws and regulations governing environmental protection. These laws and regulations are continually changing and generally tend to impose increasing restrictions. The Company conducts its operations so as to provide adequate protection for public health and the environment.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of short term financial instruments is assumed to be equal to book value according to their next maturity and the normal market conditions that they entail.

## 11. RELATED-PARTY TRANSACTIONS

On August 17, 2006, Strateco Resources Inc. created a new company, Cadiscor Resources Inc., so as to separate its gold and uranium properties. The Company therefore transferred its Discovery, Cameron and Montbray properties along with deferred expenditures with respective carrying values of \$312,750 and \$3,112,422 in consideration of 20,000,000 common shares of Cadiscor Resources Inc. valued at \$3,200,172 and \$225,000 in cash. The Company then transferred its investment in Cadiscor Resources Inc. to its shareholders through a \$3,200,172 reduction in paid-up capital.

Following this operation, a future income tax benefit of \$753,000 was credited to contributed surplus.

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

---

### 11. RELATED-PARTY TRANSACTIONS (CONT'D)

During the year, consultant and subcontractor fees of \$197,000 (\$120,000 in 2005) and management fees of \$583,000 (\$65,000 in 2005), included in the Statements of deferred expenditures, were paid to BBH Géo-Management Inc, an officer of which is also officer of the Company.

In the Statements of earnings, the general and administrative expenses of \$451,000 (\$309,000 in 2005) were paid to the same company.

In addition, share issue costs of \$57,000 (\$70,000 in 2005) were paid to the same company (Note 6).

In 2005, the Company had two term loans to repay totalling \$110,000, bearing interest at 8%. Of the total, \$50,000 must be paid to the same company, and \$60,000 to another company belonging to an officer of the Company.

At December 31, 2006, accounts payable and accrued charges included an amount of \$344,000 (\$233,000 in 2005) to be paid to the same company.

### 12. INCOME TAXES

The income tax allowance differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

	2006	2005
Loss before income taxes	\$ 1,478,390	\$ 1,197,824
Combined Canadian statutory income tax rate	30.23%	31.02%
Income tax benefit at the combined Canadian statutory income tax rate	(446,917)	(371,565)
Shares issue costs	(186,700)	(67,150)
Stock-based compensation	73,925	24,691
Change in valuation allowance	1,469,500	(140,791)
Non-deductible expenses and others	(181,208)	180,215
Future income tax benefit	\$ 728,600	\$ (374,600)

The combined Canadian statutory income tax rate of 30.23% consists of a federal tax rate of 22.12% and a provincial rate of 8.11% (22.12% federal tax rate and 8.9% provincial rate in 2005).

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

### 12. INCOME TAXES (CONT'D)

The tax effects of temporary differences giving rise to material future income tax assets and liabilities as at December 31, 2006 and 2005 are as follows:

	2006	2005
<b>Future income tax asset:</b>		
Net operating losses	\$ 1,316,200	\$ 901,600
Financial expenses	326,900	140,200
	1,643,100	1,041,800
Less: valuation allowance	1,469,500	-
Total future income tax asset	\$ 173,600	\$ 1,041,800
<b>Future income taxes:</b>		
Mining properties and deferred expenditures	\$ 173,600	\$ 1,066,200
Future income taxes	\$ Nil	\$ 24,400

As at December 31, 2006, the Company had losses other than capital losses and unused share issue costs that could be deferred to later periods and used to reduce future taxable income. These losses and share issue costs expire as follows:

	Federal	Provincial
<b>Losses other than capital losses:</b>		
2007	\$ 168,682	\$ 168,682
2008	\$ 242,843	\$ 218,843
2009	\$ 527,029	\$ 479,019
2010	\$ 537,046	\$ 516,928
2011	\$ 643,103	\$ 643,055
2015	\$ 710,408	\$ 654,465
2026	\$ 1,547,059	\$ 1,612,832
<b>Share issue costs:</b>		
2007	\$ 335,940	\$ 335,940
2008	\$ 299,067	\$ 299,067
2009	\$ 242,382	\$ 242,382
2010	\$ 203,887	\$ 203,887

### 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statements' presentation adopted in the current year.

## Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2006 AND 2005

(in Canadian dollars)

---

### 14. SUBSEQUENT EVENTS

On January 9, 2007, the Company granted 45,000 stock options to a key employee at \$2.38 per share.

On January 31, 2007, in the context of a private placement with a syndicate of underwriter led by Orion Securities Inc. and including Dundee Securities Corporation, Blackmont Capital and Sprott Securities Inc., the Company sold 9,620,000 units at \$2.60 per unit. Each unit consists of a common share and half a warrant. The Company issued 9,620,000 common shares and 4,810,000 warrants for total proceeds of \$25,012,000. Each whole warrant entitle its holder to purchase one common share at \$3.50 for a 24-month period following the closing date. As part of the private placement, the underwriters received a cash fee equal to 6% of the gross proceeds of the financing (\$1,500,720). The underwriters also received broker's options equal to 6% of the total number of units sold under the offering (577,200 units). Each broker's option enables the underwriters to purchase one unit at the issue price until January 31, 2009. At any time after June 1, 2007, the Company may notify holders of warrants and broker's options of its intention to force the exercise of warrants and broker's options should its shares trade on the TSX Venture Exchange at a price equal to or greater than \$4.50 per share for a period of 20 consecutive trading days. The net proceeds of the private placement will be used to finance additional exploration work on the Company's Matoush and Mont-Laurier projects in Québec and for general working capital purposes.

On February 5, 2007, the Company granted 100,000 stock options to a consultant at a price of \$2.60 per share.

As at March 5, 2007, 512,500 warrants and 40,000 stock options had been exercised, pursuant to which the Company had issued 552,500 common shares for a total of \$385,250.

# General Information

## DIRECTORS

**Guy Hébert**  
Boucherville, Québec  
President and Chief Executive Officer  
BBH Géo-Management Inc.

**Robert Desjardins\***  
Repentigny, Québec  
President  
Robert G. Desjardins et Associés inc.

**Jean-Guy Masse\***  
Montreal, Québec  
President  
Northern Precious Metals Funds Inc.

\* **Audit Committee member**

**Marcel Bergeron\***  
Ville Mont-Royal, Québec  
General Director  
Devimco Inc.

**Jean-Pierre Lachance**  
Greenfield Park, Québec  
Executive Vice President  
BBH Géo-Management Inc.

**Henri Lanctôt**  
Ville Mont-Royal, Québec  
Gowling, Lafleur Henderson LLP

## OFFICERS

**Guy Hébert, B.Sc.Geol., M.B.A.**  
President and Chief Executive Officer

**Jean-Pierre Lachance, Geol.**  
Executive Vice President

**Pauline Comtois, c.g.a.**  
Treasurer

**Henri Lanctôt**  
Corporate Secretary

## SHAREHOLDER INFORMATION

**Listing**  
TSX Venture Exchange - Symbol RSC  
Frankfurt Exchange: Symbol RF9  
US SEC Registration # 0-49942 – Symbol SRSIF

**Transfer Agent and Registrar**  
Computershare Trust Company of Canada

**Auditors**  
Petrie Raymond, LLP

**Legal Advisors**  
Gowling Lafleur Henderson LLP

**Head Office**  
1225 Gay-Lussac Street  
Boucherville, Québec J4B 7K1 CANADA  
Telephone: (450) 641-0775  
1-866-774-7722  
Fax: (450) 641-1601  
Website: [www.stratecoinc.com](http://www.stratecoinc.com)

**Annual Meeting**  
On June 12, 2006 at 10:30 a.m.  
Fairmount Hotel The Queen Elizabeth  
Hochelaga 6 Room  
900 René-Lévesque Blvd. West  
Montreal, Québec, H3B 4A5 CANADA  
Telephone: (514) 861-3511

*Pour obtenir une version française de ce rapport, veuillez vous adresser au siège social de la Société à Boucherville (Québec).*