



**2007 MANAGEMENT DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS**

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Management Discussion and Analysis

For the year ended December 31, 2007

Scope of Management's Financial Analysis

The following analysis should be read in conjunction with the Company's audited financial statements and notes thereto for the years ended December 31, 2007 and 2006. The financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Forward-Looking Statements

This document may contain forward-looking statements that reflect management's current expectations with regard to future events. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. Actual results may differ from expected results. Factors that could cause our results, our operations and future events to change materially compared to the expectations expressed or implied by such forward-looking statements include, but are not limited to, volatility in the gold price, risks inherent to the mining industry, uncertainty regarding the mineral resource estimation and additional funding requirements and the Company's ability to obtain such funding.

Incorporation, Nature of Operations and Ongoing Exploration

The Company was incorporated under the *Canada Business Corporations Act* by articles of incorporation dated April 13, 2000.

The Company is primarily engaged in the exploration of mining properties with a view to commercial production. It currently owns or holds interests in various mining properties in Québec but does not have any mines in production. Its activities are focused on the development of two uranium properties, including the Matoush project in the Otish Mountains of northern Québec, considered one of the highest-grade uranium projects in the world.

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 its properties. The Company must periodically obtain new funds in order to pursue its activities. While it has always succeeded in doing so to date, there can be no assurance that it will continue to do so in the future.

Selected Annual Information

Selected financial information for the years ended December 31, 2007, 2006 and 2005 is shown in the following table:

	31-12-2007	31-12-2006	31-12-2005
	\$	\$	\$
Total income	963,895	264,008	2,246
General and administrative expenses	3,091,795	1,675,854	639,050
Loss before write-down	522,579	1,411,846	636,804
Net loss	522,579	2,251,590	823,224
Net loss per share, basic and diluted	0.01	0.03	0.02
Current assets	28,884,998	11,561,056	1,383,442
Total assets	52,744,147	15,270,641	4,731,443
Current liabilities	1,162,814	1,555,924	700,951
Working capital	27,722,184	10,005,132	682,491
Shareholders' equity	50,377,333	13,714,717	4,006,092

As at December 31, 2007, the Company had total assets of \$52,744,147 compared to \$15,270,641 in 2006. This change in total assets was mainly due to an increase of over \$28 million in working capital, the acquisition of 100% of the Apple property in consideration of over \$8 million in shares, a \$10 million increase in deferred expenditures and the acquisition of \$465,000 in fixed assets.

Dividend Policy

The Company has not declared any cash dividend on its outstanding common shares since incorporation. Any dividend payment will depend on the Company's financial requirements for its exploration programs, its level of growth and other factors deemed pertinent by the Board of Directors under the circumstances. It is unlikely that a dividend will be paid in the foreseeable future.

Exploration Activities

The technical data in this text is based on a technical report that complies with *National Instrument 43-101 on standards of disclosure for mineral projects ("NI 43-101")*, and was reviewed by Mr David A. Ross, M.Sc. P.Geo of Scott Wilson Roscoe Postle & Associates ("Scott Wilson RPA"), who is a qualified person as defined in *NI 43-101*. Exploration expenses for the year ended December 31, 2007 totalled \$18,763,939 (\$4,715,754 in 2006). Expenses for the past year were higher than in 2006 as the Company carried out more exploration and development work on its properties. The Matoush property was the most active, with a total of \$17,655,159 in exploration.

The Company incurred allowable exploration expenses of \$18,763,939 during the year and therefore qualifies for Québec refundable tax credit related to resources of up to 38.75% and a credit on duties refundable from Québec of 12% of all eligible exploration expenses. The estimated value of such credits receivable as at December 31, 2007 is \$8,664,000.

Projects and New Acquisitions

As at December 31, 2007, the Company had a portfolio of four wholly-owned mining properties and interests or options on three mining properties in Québec covering more than 47,633 hectares.

On August 28, 2007, Strateco announced that it had increased its uranium assets by 9 million pounds of uranium (U_3O_8) with the signature of a formal letter of intent with Virginia Mines Inc. ("Virginia") on the Apple property in the James Bay region of northern Québec.

Under the agreement, Strateco acquired 100% interest of the Apple uranium property, wholly owned by Virginia, in consideration of 3,250,000 shares of Strateco. The agreement also provides for a 2% NSR royalty payable to Virginia, half of which can be bought back for \$1.0 million. The transaction closed on September 6, 2007.

The Apple property consists of 194 mining claims covering 9,928 hectares, 80 km southeast of Radisson. The property is accessible by a 40 km winter road from km 510 on the paved James Bay road. In summer, the property can be accessed by boat from the Trans-Taïga road.

The project covers a portion of the Apple Formation, which came to light in the early 1970s with the discovery of several extensive uranium-pyrite matrix, quartz pebble conglomerate zones.

The Apple uranium deposit was in fact discovered in 1971 during an airborne survey. The International Nickel Company of Canada Limited ("INCO") and James Bay Development Corporation subsequently conducted an extensive joint exploration program from 1972 to 1975, with INCO as the operator. A total of 65 holes were drilled for a total of 14,000 metres, and the uranium conglomerates were traced over a distance of eight kilometres along an East-West axis.

On October 29, 2007, the Company announced the execution of an agreement in principle allowing Strateco to earn a 60% interest in 277 mining claims of the Pacific Bay-Matoush property owned by Consolidated Pacific Bay Minerals Ltd. ("Pacific Bay") located in the Matoush District of Québec's Otish Mountains (the "Property"). The agreement is subject to the completion of a definitive option agreement and regulatory approval. It calls for Strateco to pay Pacific Bay a total of \$500,000, issue 200,000 Strateco shares and incur \$3 million in exploration expenditures over four years, including a minimum of 10,000 meters of drilling. As part of the transaction, Strateco has acquired, on January 15, 2008, one million units of Pacific Bay at a price of \$0.30 per unit. Each unit consists of one common share and one warrant to purchase a common share at \$0.60 per share for a period of 24 months.

As of October 29, 2007, Strateco assumed direction of exploration activities on the property, including supervision of the drilling program recently announced by Pacific Bay. Strateco began drilling on the property and is working closely with Pacific Bay field personnel to maximize the value of the exploration programs still underway. The property covers an area of 145 square kilometres (56 square miles) in the Otish Mountains, where Strateco has been drilling the Matoush high-grade uranium orebody originally discovered by Uranerz Exploration and Mining in the 1980's.

On November 26, 2007, the Company signed an agreement in principle to earn a 60% interest in the uranium rights on the Mistassini property owned by Majescor Resources Inc. ("Majescor"), subject to signature of a definitive option agreement and regulatory approval. Majescor currently owns 100% of the uranium rights and Superior Diamonds Inc. ("Superior Diamonds ") owns 100% of the diamond rights on the Mistassini property, which is located in the Otish Mountains of Québec, approximately 40 km south-west of Strateco's Matoush property.

The proposed option agreement calls for Strateco to allow Majescor to contract Major Drilling's heliportable-drill rig, leased to Strateco, to drill the Lac Mantouchiche showing in November-December 2007. In return, the Company has exercised its 30-day right of first refusal ("RFR"), on January 14, 2008, to enter into an option agreement with Majescor on the property, with the 30-day period to commence upon Strateco's receipt of the drill results from Majescor.

Under the option agreement, Strateco can earn an undivided 60% interest in the uranium rights on the property by incurring an aggregate of \$1.3 million in exploration expenditures over three years. Strateco must reimburse Majescor the cost of the drilling program (approx. \$250,000) and incur an additional \$250,000 in exploration expenses on the property in the first year, for a total first year firm commitment of \$500,000. The remaining \$800,000 in exploration expenses will be incurred equally in second year and third year.

During the option period, Strateco will be the sole operator for all uranium exploration and will have full access to the property. Superior Diamonds will have access to the property to conduct exploration for diamonds and will be the sole operator of all diamond exploration. Superior Diamonds is entitled to a 2.0% Yellowcake Royalty on the property. The parties agree to finalize a formal joint venture agreement within 90 days of Strateco's election to option the property.

Exploration Work

The year 2007 was Strateco's most productive since the Company was formed in 2000, both in terms of exploration work and financings. Management was successful in seizing the opportunity to substantially grow Strateco's portfolio of uranium properties through acquisition and options.

Matoush Project

On the wholly-owned Matoush project in the Otish Mountains of northern Québec, substantial exploration work was carried out, particularly drilling. A total of 51,800 metres was drilled in 152 holes. Management basically achieved its objective of delineating the AM-15 zone such that an *NI 43-101*-compliant technical report could be prepared, including a resource estimate.

The year 2007 began with a major challenge, namely the repair, upgrading and maintenance of the Eastmain winter road to allow enough fuel for one full year (900,000 litres) to be brought to the site, along with all the material required to build and operate a new 45-person camp, two additional drills and other miscellaneous equipment. The rebuilding of the road allowed considerable economies of scale.

The camp, which was scheduled for completion in mid-June but was in the end inaugurated in mid-April 2007, definitely helped exploration work progress steadily, even during freeze-up and thaw periods.

In the first two quarters of 2007, between January 10 and July 2, 2007, 63 holes were drilled for a total of 24,522 metres. The emphasis was mainly on definition drilling on the AM-15 zone in preparation for the resource estimate, as well as its north and south extensions.

The results of chemical analyses for the first eight holes drilled during the year (MT-07-01 to 08) confirmed the size of the systems, with very high grades over impressive widths. The best values came from hole MT-07-03, which returned a grade of 2.00% U_3O_8 over 16 metres, representing 40 lb/tonne U_3O_8 over a length of 53 feet. This excellent intersection includes 4.02% U_3O_8 over 3.55 metres (80 lb/tonne). At current U_3O_8 prices, namely US \$85.00/lb, this intersection represents a

value of over US \$4,500/tonne. This assumption does not account for the fact that the economic viability of mineral resources that are not yet mineral reserves has not been demonstrated.

The continuation of drilling in the extension immediately to the north of the AM-15 zone generated some pleasant surprises, confirming the continuity of mineralization in the CBF above the ACF.

Nine of the holes for which chemical analyses were obtained in the first quarters of 2007 were drilled in the northern extension of AM-15. These are holes MT-07-26, 27, 28, 29, 31, 32, 33, 34 and 35 (see pierce points on the Company's web site at www.stratecoinc.com). The true width of the mineralized sections has not yet been determined. Hole MT-07-29 returned the best intersection, with a grade of 1.97% U_3O_8 representing 39 lb/ton U_3O_8 over 6.7 metres in the CBF. These results are all the more promising as the intersection is from a fault located in the hangingwall of the Matoush fault, 135 metres north of the hole AM-15 section. Another hole in the area, MT-07-33, was drilled 25 metres to the north of MT-07-29, and like MT-07-29, showed uranium mineralization in the hangingwall of the Matoush fault. The mineralization occurs along a 4.0-metre core length.

In the rich ACF also in the northern extension of AM-15, hole MT-07-35 returned the best intersection, 65 metres north of AM-15. A grade of 0.95% U_3O_8 (19 lb/ton) was obtained over a considerable 10.7-metre length, including 1.61% U_3O_8 (32 lb/ton) over 5.9 metres. This intersection, which contained intense hydrothermal alteration with fuschite, tourmaline and chlorite with pitchblende and uranophanes, confirms the presence of a corridor of high grades and widths in the upper part of the ACF to the north of AM-15.

Holes drilled in the AM-15 sector indicated the presence of interesting mineralization over a width of more than 300 metres, with a 160-metre core called the AM-15 zone.

The southern extension of the AM-15 zone was tested by 13 holes drilled over a lateral distance of 270 metres, being up to section 35+15S, including the area drilled on the lake. All the holes intersected the Matoush fault in the ACF with values of from 0.05% U_3O_8 to 0.10% U_3O_8 . The exception was one of the holes drilled on the lake (Hole MT-07-18), which returned a grade of 0.21% U_3O_8 over 3.4 metres, including 0.83% U_3O_8 (17 lb/ton) over 1.5 metre. These results will be followed up in the winter of 2008.

In February 2007, one of the three drills was mobilized to drill at depth to test the uranium potential of the basement (unconformity-type). Five holes were drilled, one of which had to be abandoned for technical reasons. The basement was reached by the first hole (MT-07-09) at a vertical depth of 790 metres. The fault was intersected in the basement but without uranium mineralization, with the basement consisting of foliated gneiss and tonalite (granite) rather than the hoped-for meta-sediments. It was nevertheless interesting that the typical 30-m thick quartz-pebble conglomerate and a regolite with a 9-metre vertical thickness preceded the basement. The as-yet untested ACF-4 was drilled over a vertical thickness of 400 metres. One of the holes drilled in this level, hole MT-07-22, proved very significant, revealing uranium potential in the ACF-4.

MT-07-22 intersected two intrusives, both containing uranium mineralization. The mineralization was intersected in the ACF-4 at an average vertical depth of 700 metres, the basement being at 792 metres. The two intrusives are 60 metres apart downhole, with the second corresponding to the Matoush fault. Chemical analyses revealed grades of 1.18% U_3O_8 (24 lb/ton) over 0.6 metres and 0.30% U_3O_8 (6 lb/ton) over 1.40 metres respectively.

Nine holes were drilled to test the uranium potential of the CBF from -80 metres to -160 metres. This facies typically contains low uranium grades. The five holes centred at -100 metres over about 240 metres along strike do not appear to indicate any significant mineralization, with counts per second (cps) of less than 700. Holes MT-07-36 and 44, on the other hand, 105 metres apart with a pierce point at -160 metres, were much more encouraging. Hole MT-07-36 intersected a mineralized zone of interest over 3.15 metres with up to 6,300 cps. Hole MT-07-44 intersected two mineralized zones, the first over 2.0 metres with 3,900 cps in the CBF and the second over about 13 metres in the ACF, with a maximum cps that fluctuated from 650 to 2,700.

Hole MT-07-49 is without doubt the most promising. With a pierce point 185 metres north of AM-15 in the middle portion of the ACF, this hole shows that the mineralization continues to the north. The 3.8 metres of mineralized zone contained pitchblende over its entire length, with a cps of 11,500.

Exploration work on the Matoush project intensified in the third quarter, particularly as the summer season permitted prospecting and use of the heliportable drill.

Between July 3 and October 3, 2007, 65 holes were drilled on the Matoush project for a total of 14,983 metres.

Exploration drilling in the third quarter took place mainly along the Matoush fault, from the northwest end of the project (Matoush Extension) to the southern part of the Eclat property, 9 km south of the AM-15 zone. The holes in the northern and southern parts of the Matoush project were drilled with a Versa-type drill moved using an Astar 350 B-2 helicopter assigned permanently to the site by Canadian Helicopters. The location of the holes drilled in the third quarter of 2007 can be found in the quarterly report filed on Sedar (www.sedar.com).

Aside from the exploration holes drilled from surface to the 60-metre thick ACF-3 level (which hosts the AM-15 zone), including those drilled in the AM-08 sector (ACF-1, 15 metres thick), the emphasis was on exploration drilling at depth in the nearly 400-metre thick ACF-4. These holes were drilled to test a new geological model based on the potential presence of other zones lying parallel to the plunge of the AM-15 zone. The best results were obtained from holes MT-07-101, 110 and 116 drilled in mid-October.

Logging of hole MT-07-101 showed 0.30% eU₃O₈ over 1.9 m in the upper part of the ACF-4, at -360 metres. A maximum of 5,900 cps was recorded on the core. Hole MT-07-110, drilled 60 metres deeper and 50 metres further north, intersected two mineralized sections 4.2 metres apart, with the second corresponding to the Matoush fault. Logging indicated 0.09% eU₃O₈ over 1.11 metre and 0.06% eU₃O₈ over 2.23 metres. Finally, Hole MT-07-116, drilled 110 metres further north and 150 metres deeper than MT-07-110, intersected a 0.40 metre mineralized section at the contact of the fault (-525 metres), with up to 32,000 cps. This hole could not be logged.

In-hole logging has become essential as the Saskatchewan Research Council is literally overloaded. Pending receipt of its own probe, Strateco is using a Gamma probe on loan from Cameco.

The third quarter was also very active at the prospecting level on the Matoush property, with conclusive results.

The primary objective of the summer 2007 prospecting program was the discovery of new uranium-bearing radioactive boulders or outcrops that could lead to a new mineralized zone. More than 10,000 hectares were covered. Prospecting was conducted systematically on lines spaced at 100 metres.

Most notably, this work led to the discovery of strongly radioactive blocks (5,000 to 61,000 cps) in the east-northeast corner of the Matoush property (Laurent-Martin showing), an outcropping radioactive zone (600 to 10,000 cps) at the northern edge of the North Block and a number of radioactive boulders on both the South and North blocks of the property.

The highly significant discovery of radioactive boulders of up to 61,000 cps made by prospectors from Exploration Sans Frontières subcontracted by Strateco lies 5 km northeast of the AM-15 zone.

Geotechnical and metallurgy studies continued in parallel with field exploration work, along with the gathering of data for the environmental impact study.

On September 26, 2007, Scott Wilson RPA completed a technical report on the Matoush property, including a resource estimate on the AM-15 core zone.

Scott Wilson RPA prepared the initial mineral resource estimate for the AM-15 core zone at Matoush using drill hole data available as of September 6, 2007. A set of cross sections and plan views were interpreted to construct three dimensional (3D) grade-shell wireframe models at a cut-off grade of 0.05% U₃O₈ and a minimum horizontal thickness of 2 metres. High grade assays were cut to 7% U₃O₈. Forty-four of the 119 drill holes in the AM-15 zone area were used to estimate the mineral resources. The mineralization making up the mineral resource is shared among four vertical lenses controlled by the Matoush Fault Zone (MFZ): Main Lens, South Lens, North Lens and an Upper Lens. Block model U₃O₈ grades within the wireframe models were estimated by ordinary kriging.

Indicated mineral resources are estimated to total 201,000 tonnes grading 0.79% U₃O₈ containing 3.48 million pounds of U₃O₈. Inferred mineral resources are estimated to total 65,000 tonnes grading 0.43% U₃O₈ containing 0.62 million pounds.

The solid representing the AM-15 core zone plunging to the southeast (source of the new model) can be viewed on the longitudinal section on Strateco's website, at www.stratecoinc.com.

The resource estimate does not take in account other mineralized zones intersected by drilling on the Matoush property. "The smaller and eroded AM-8 Zone is found at surface in ACF-1, approximately 200 metres vertically above the AM-15 zone. Uranium mineralization of undefined extent has also been intersected in ACF-2 (L-43 occurrence) and ACF-4 (22 Deep Occurrence, 0.31% U₃O₈ over 1.4 metres). The 22 Deep Occurrence is 200 metres above the basement unconformity and about 330 m vertically beneath the AM-15 zone. All of this mineralization is located within the MFZ and is, as referred to it earlier, Otish-type uranium mineralization." (Scott Wilson RPA, Sept. 2007)

In the last quarter of 2007, drilling was mainly concentrated in the new MT-22 zone sector, located in the ACF-4 at a vertical depth of between -350 and -650 metres, with the main goal of identifying new mineralization in order to increase the resource. During this last period, 20 holes were drilled for a total of 11,238 metres.

Most of the holes drilled in this area (ACF-4) intersected significant U₃O₈ values at the intersection of the Matoush fault, generally over small widths. While MT-07-116, for instance, intersected 32,000 cps over 1.3 metre, the gamma probe has not yet been used in this hole due to the excessive length of cable required (intersection at -600 vertical metres). The best results were obtained in the last two holes drilled in 2007, MT-07-129 and MT-07-130, 80 metres apart at the same elevation (-350 metres).

Hole MT-07-129, with a 8.3-metres intersection grading 0.24% eU₃O₈ including 3.7 metres of 0.51% eU₃O₈, proved extremely encouraging, particularly as the alteration halo in this hole is identical to the one around the AM-15 zone.

Hole MT-07-130 intersected a 5.0-metre mineralized zone grading 0.11% eU₃O₈ including 1.7 metre of 0.24% eU₃O₈. Exploration work stopped on December 21, 2007, for the holiday break.

On the northern portion of the Matoush project (Matoush Extension) exploration work in 2007 consisted in prospecting and limited drilling. Prospecting was successful with the identification of an outcropping radioactive zone with 600 to 10,000 cps. Four drill holes were completed in the area for a total of 1,290 metres. Mixed results were obtained, the Matoush fault being laterally displaced.

On the southern portion of the Matoush project (Eclat property), 10 holes were completed (EC-07-01 to 07-10) for a total of 2,260 metres. These exploration holes drilled with the assistance of the helicopter allowed the Matoush fault to be accurately located on the Eclat property, with radiometry on the core showing a low cps. More drilling will be done in this area during winter 2008.

In December 2007, the Company completed 4 holes totalling 1,062 metres on the Rabbit Ears block optioned from Consolidated Pacific Bay Minerals Ltd, located approximately 5 km east of AM-15 zone.

The four holes encountered sedimentary horizons that correspond to the Matoush deposit environment. The best hole was PB-07-02 which intersected a 10 cm altered arkosic sandstone averaging 0.03% eU₃O₈.

Apple Project

On August 28, 2007, Strateco announced that it had acquired 100% interest of the Apple uranium property, 75 km southwest of the Radisson airport, in the James Bay area. Apple was acquired from Virginia in consideration of 3,250,000 shares of Strateco.

The project covers a portion of the Apple Formation, which came to light in the early 1970s with the discovery of several extensive uranium-pyrite matrix, quartz pebble conglomerate zones.

The Apple uranium deposit was in fact discovered in 1971 during an airborne survey. The International Nickel Company of Canada Limited ("INCO") and James Bay Development Corporation subsequently conducted an extensive joint exploration program from 1972 to 1975, with INCO as the operator. A total of 65 holes were drilled for a total of 14,000 metres, and the uranium conglomerates were traced over a distance of eight kilometres along an east-west axis.

In 1974, INCO performed a resource estimate on a one-kilometre section covering seven subvertically-dipping zones. The non-NI 43-101-compliant estimate yielded 9,365,000 tons grading 0.054% U₃O₈ or 1.08 lb/ton for a total of 10.1 million pounds (GM 57894). This resource includes 4.3 million tons categorized as proven and probable and 5.0 tons categorized as possible. The literature (Robertson et al. 1986) reports a resource of 8.5 million tons grading 0.052% U₃O₈ (8.8 million pounds of U₃O₈) contained in a six-metre by one-kilometre wide envelope extending to a depth of 300 metres, and

remaining open at depth. A correlation was established between the highest uranium grades and the pyrite content. INCO dropped the property in 1975, and it has not been explored for uranium since.

In the fall of 2007, the Company conducted a helicopter-borne radiometry survey covering the entire property. This survey led to the identification of new radiometry anomalies and confirmed those identified by earlier surveys.

In early January 2008, Strateco began construction of a 14-person camp. A 4,000-metre drilling program began in mid-February. Various targets will be tested.

Mont-Laurier Project

In 2007, the exploration program on the property consisted essentially of drilling.

From January to March 2007, a 2,614 metres - 32-holes drilling program was completed on Area A, B and C. This is the first program carried by the Company since the staking of the property in 2005 and since the work done by Mont-Laurier Uranium Mines in 1971 and SOQUEM in 1973.

In Area A (Lake Hanson West) the 2007 drilling was aimed at testing this zone on a 100-meter spacing drill grid over 1,000 metres of strike. A series of 28 mostly vertical holes (2,274 metres) were drilled to an average depth of about 81 metres. The key white pegmatite units alternating with granitic gneiss were intersected as expected but the dissemination of uranium-bearing minerals seems greater than expected. Decimetric to metric assayed intervals returned values below 0.05 % U_3O_8 .

With those results, it appears difficult to correlate our observations with the historic resources reported for Hanson Lake West (544,000 tons, 0.075% U_3O_8).

In Area B between Hanson West and Tom Dick South, only one hole was drilled and abandoned at 54 metres. Water and logistic problems were encountered.

For the Area C (Tom Dick South) three drill holes totalling 285 metres were completed at the base of the escarpment bordering our property with the property of Nova Uranium. Only minor intersections of decimetric width with grades below 0.02% U_3O_8 were obtained.

Even with the mixed results of the 2007 drilling program, the property still shows many exploration targets that were not covered by recent exploration works in particular the Hanson Center area, the Area B not adequately drilled in 2007, the Area C with respect to the work and results from Nova Uranium and other radiometric airborne survey targets on our property.

Action Plan

In the coming months, the Company will continue to focus its exploration efforts on exploration and development of its best uranium and metals projects using advanced exploration methods. Based on industry trends and demand, the Company will also consider acquiring new mining properties for exploration. Financing may be required for this purpose in 2008.

The Company foresees drilling expenses of \$26M on its property in 2008 as follows: \$22M on the Matoush property, \$2.5M on Apple project, \$450,000 on Pacific Bay-Matoush, \$650,000 on Eclat property and \$400,000 on Mistassini property.

Operating Results

The Company posted a net loss of \$522,579 for 2007 compared to a net loss of \$2,251,590 for 2006 and \$823,224 for 2005. Interest income for the current year was up due to additional income generated by higher cash and cash equivalents.

General and administrative expenses were in the order of \$3,091,795 compared to an average of \$1,802,233 for the last three years.

Operating costs were strongly affected by the following factors: 1) the increase in the Company's operating and marketing activities since 2006, resulting in higher travel, investor relations and office expenses and a \$100,000 donation to Fonds

Restor-Action-Nunavik; 2) higher listing and registrar fees related to listing of the shares on the Toronto Stock Exchange (TSX); and 3) charges related to stock options, which represent a substantial portion of general and administrative expenses.

The Company has no sales as it has no producing properties.

Quarterly Financial Information

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

	31-12-2007	30-09-2007	30-06-2007	31-03-2007	31-12-2006	30-09-2006	30-06-2006	31-03-2006
	\$	\$	\$	\$	\$	\$	\$	\$
Total income	218,021	232,777	269,484	243,613	114,002	111,752	30,798	7,456
General and administrative expenses	298,308	339,047	1,651,913	802,527	433,312	321,625	514,689	406,228
Loss (benefit) before write-down and Stock-based compensation	(1,525,034)	106,270	416,063	147,931	1,038,324	209,873	440,621	251,687
Net loss (Net benefit)	(1,525,034)	106,270	1,382,429	558,914	1,092,509	274,118	483,891	401,072
Net loss per share, basic and diluted	0.01	0.02	0.02	0.01	0.01	0.00	0.01	0.01
Current assets	28,884,998	26,939,926	29,634,886	31,761,695	11,561,056	11,023,525	10,250,315	1,849,130
Total assets	52,744,147	45,543,398	39,712,848	38,686,899	15,270,641	13,983,050	15,655,580	5,888,754
Current liabilities	1,162,814	1,353,849	1,568,029	1,417,067	1,555,924	523,851	560,294	372,174
Working capital	27,722,184	25,586,077	28,066,857	30,344,628	10,005,132	10,499,674	9,690,021	1,476,956
Shareholders' equity	50,377,333	44,189,549	38,144,819	37,269,832	13,714,717	13,434,799	15,070,886	5,492,180

Discussion of Quarterly Financial Information

In the last eight quarters, general and administrative expenses and losses before write-downs and stock-based compensation expenses have averaged \$595,956 and \$239,873.

Operating costs have been strongly affected by the following factors: 1) the increase in the Company's operating and marketing activities since 2006, resulting in higher travel, investor relations and office expenses and a \$100,000 donation to Fonds Restor-Action-Nunavik; 2) higher listing and registrar fees related to listing of the shares on the Toronto Stock Exchange (TSX); and 3) charges related to stock options, which represent a substantial portion of general and administrative expenses.

Taking the above into account, on average it costs \$300,000 per quarter to run the Company, less non-recurring expenses like stock-based compensation, registrar expenses related to listing the Company on the Toronto Stock Exchange (TSX) and the Fonds Restor-Action-Nunavik donation. Of this amount, \$160,000 per quarter represents consultants' fees, legal expenses, investor relations expenses and rent payable to a company of which Guy Hébert, a director of the Company, is also a director (See Note 13, "Related-Party Transactions" for more details).

Fourth Quarter Performance

The Company posted earnings of \$1,525,034 due to income tax savings arising from the loss and share issue costs for the fourth quarter of the year, compared to a net loss of \$1,092,509 for the fourth quarter of last year. These earnings were mainly due to decrease of \$148,000 in investor relations expenses, \$49,000 in share issue costs and \$1,605,321 in future income taxes.

Cash Assets

The Company's working capital stood at \$27,722,184 at year end, up from \$10,005,132 at the beginning of the year. This increase was mainly due to a private placement completed during the year for proceeds of \$25,012,000 and the exercise of

stock options for a total of \$171,050 and of warrants for a total of \$5,573,500. These funds will be used to carry out the exploration programs planned for 2008. The term deposits are not exposed to asset-backed commercial paper.

During the fourth quarter, warrants were exercised for a total of \$4,660,950. Stock options were also exercised for an amount of \$1,800. The Company issued 3,418,300 common shares.

Sources of Financing

During the year, the Company completed a private placement completed for a total of \$25,012,000 and raised funds of \$171,050 through the exercise of stock options and \$5,573,500 through the exercise of warrants. The Company issued 17,794,500 common shares for a total of \$37,502,050, including 3,450,000 common shares issued in consideration of mining properties valued at \$6,745,500.

Off Balance-Sheet Arrangements

The Company does not have any off balance-sheet arrangements.

Related-Party Transactions

The Company conducted the following transactions with a company of which Guy Hébert, an officer and director of the Company, is also an officer and director.

The fees paid to this company are equivalent to the compensation that the Company would otherwise pay to an unrelated third party.

	2007	2006
Expenses capitalized in the statement of deferred expenditures		
Consultants and subcontractors	\$ 1,145,000	\$ 197,000
Management fees ⁽¹⁾	\$ 1,823,000	\$ 583,000
General and administrative expenses in the statement of earnings and deficit		
Professional fees	\$ 367,000	\$ 228,000
Legal expenses	\$ 68,000	\$ 61,000
Investor relations	\$ 168,000	\$ 123,000
Rent	\$ 40,000	\$ 39,000
Share issue costs charged against capital stock	\$ 23,000	\$ 57,000

⁽¹⁾ As provided for in the services agreement, management fees represent 15% of first quarter exploration expenses. As of April 1st, 2007, a management fee of 10% is applied to exploration expenses and 5% to purchases.

Accounting Value of Mining Properties

At the end of each year, work is assessed to determine the future potential of each property. This assessment did not result in any write-downs in 2007.

Financial Instruments

Fair Value

Cash and temporary investments, term deposits, receivable subscriptions, tax credits receivable, deposits on exploration work and accounts payable and accrued charges are financial instruments whose fair values approximate their carrying values due to their short-term maturities or the prevailing market rates.

Interest Rate Risk

At December 31, 2007 and 2006, the Company's exposure to interest rate risk is as follows:

- Cash and cash equivalents – variable interest rate
- Amounts receivable – interest free
- Amounts payable – interest free

In management's opinion, the Company was not exposed to any interest rate risk as at December 31, 2007.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value.

The Company had 114,167,867 shares issued and outstanding at December 31, 2007 (96,373,367 at December 31, 2006) for a value of \$54,208,910 (\$18,962,859 at December 31, 2006).

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 disputes, floods, explosions, 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 depends on 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 commodities 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 economic deposits.

Environmental and Other Regulations

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional cost, 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 or 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 that it is 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 uranium, gold, diamond, base metals or other mineral discovered can be affected by factors beyond the Company's control. Commodities prices have fluctuated widely, particularly in recent years. The impact of these factors cannot be accurately predicted.

Uninsured Risks

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 and mining activities.

Information Disclosure Controls and Procedures

Company management, including the president and chief financial officer, participated in an assessment of the effectiveness of information disclosure controls and procedures for the year ended December 31, 2007. Based on this assessment, the president and chief financial officer have concluded that such controls and procedures were effective and reliable at the end of the financial year ended December 31, 2007, and were applied in such a way as to provide reasonable assurance that material information on the Company was adequately disclosed.

The management can confirm that there has been no changes concerning the internal control over financial reporting during the exercise ended on December 31, 2007 that is reasonably likely to materially affect on the internal control over financial reporting.

Additional Information and Continuous Disclosure

This management discussion and analysis is dated March 7, 2008 and complies with Canadian Securities Administrators' *National Instrument 51-102A* on continuous disclosure. The purpose of this management discussion and analysis is to help the reader understand and assess the material changes and trends in the Company's results and financial position. It presents management's perspective on the Company's current and past activities and financial results, as well as an outlook of activities planned for the coming months. The Company regularly discloses additional information through press releases and financial statements filed on the Strateco (www.stratecoinc.com), SEDAR (www.sedar.com) and EDGAR (www.sec.gov/edgar.shtml) websites.



Guy Hébert,
President and Chief Executive Officer



Pauline Comtois,
Chief Financial Officer

Management's Responsibility for Financial Reporting

Management is responsible for the financial statements of Strateco Resources Inc. and the financial information contained in this report. The financial statements are prepared by management in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on best estimates and judgments of management.

Management maintains a system of internal control to provide reasonable assurance that assets are safeguarded from any loss or unauthorized use and that financial information is reliable and available in a timely manner.

Primarily through its Audit Committee, the Board of Directors oversees management's responsibility with regard to presentation of the information, and reviews and approves the financial statements.

The Audit Committee is appointed by the Board of Directors. Two of its three members are independent directors and all three members are external directors. The committee meets from time to time with management as well as the external auditors to discuss matters related to internal controls, audit results, accounting principles and related subjects.

Petrie Raymond LLP, chartered accountants, an independent chartered accounting firm, was appointed to audit the Company's financial statements and issue an opinion on them.

On the recommendation of the audit committee, the Board of Directors has approved the Company's financial statements for the years ended December 31, 2007 and 2006.



Guy Hébert,
President and Chief Executive Officer



Pauline Comtois,
Chief Financial Officer

Boucherville, Canada
March 19, 2008

Auditors' Report to the Shareholders

We have audited the balance sheets of Strateco Resources Inc. as at December 31, 2007 and 2006 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 statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and 2006 and its results of operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Montreal, Canada
March 7, 2008

Financial Statements

BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

	2007	2006
		<i>restated</i>
ASSETS		
CURRENT ASSETS		
Cash and short-term investments (Note 3)	\$ 18,986,096	\$ 561,344
Term deposit – rate of 4.65%	-	8,680,857
Receivable subscriptions	55,200	-
Tax credits receivable	8,821,310	1,476,785
Sales tax recoverable	599,742	315,633
Deposits on exploration work	358,031	500,000
Prepaid expenses	64,619	26,437
	28,844,998	11,561,056
MINING PROPERTIES (Note 4)	10,044,314	459,000
DEFERRED EXPENDITURES (Note 5)	13,350,146	3,250,585
FIXED ASSETS (Note 6)	464,689	-
	\$ 52,744,147	\$ 15,270,641
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges (Note 13)	\$ 1,162,814	\$ 1,555,924
FUTURE INCOME TAXES (Note 14)	1,204,000	-
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	54,208,910	18,962,859
Contributed surplus (Note 10)	3,006,008	1,066,864
Deficit	(6,837,585)	(6,315,006)
	50,377,333	13,714,717
	\$ 52,744,147	\$ 15,270,641

See notes to financial statements.

ON BEHALF OF THE BOARD



Guy Hébert, Director



Robert Desjardins, Director

STATEMENTS OF DEFERRED EXPENDITURES
YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

	2007	2006
EXPLORATION EXPENSES		
Consultants and subcontractors	\$ 3,923,186	\$ 639,488
Infrastructure, access roads, fuel depot and other	1,424,242	188,989
Drilling	6,451,250	2,243,424
Transport and fuel	2,481,051	199,972
Geophysics	239,664	347,367
Geology	87,075	70,530
Laboratory and analyses	242,499	44,255
Travel expenses	1,126,391	217,677
Management fees	1,823,081	584,865
Supplies and equipment rental	273,973	135,604
Maintenance and repairs	68,852	-
Depreciation on fixed assets	174,540	-
General exploration expenses	448,135	43,583
	<u>18,763,939</u>	<u>4,715,754</u>
Credit for duties and other related exploration credits	(8,664,378)	(1,472,454)
Write-off of deferred expenditures	-	(66,544)
	<u>(8,664,378)</u>	<u>(1,538,998)</u>
INCREASE IN DEFERRED EXPENDITURES	10,099,561	3,176,756
BALANCE, BEGINNING OF YEAR	3,250,585	3,186,251
TRANSFERRED EXPLORATION EXPENSES (Note 13)	-	(3,112,422)
BALANCE, END OF YEAR	\$ 13,350,146	\$ 3,250,585

See notes to financial statements.

STATEMENTS OF EARNINGS AND DEFICIT
YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

	2007	2006 <i>restated</i>
INTEREST INCOME	\$ 963,895	\$ 264,008
GENERAL AND ADMINISTRATIVE EXPENSES		
Professional fees	391,800	259,745
Legal and audit expenses	140,031	159,563
Stock-based compensation	1,377,348	244,541
Directors' fees	19,800	18,600
Shareholder communications	130,697	135,934
Investor relations	414,697	627,947
Listing and registrar fees	285,850	25,558
Social benefits related to stock options	4,720	53,582
Travel expenses	32,215	9,169
Donation to environmental fund	100,000	-
Rent	39,720	38,400
Insurance	35,621	23,734
Office expenses	73,902	24,360
Taxes and permits	36,019	29,517
Interest, penalties and bank charges	9,375	14,129
Part XII.6 tax	-	11,075
	3,091,795	1,675,854
Write-off of deferred expenditures	-	66,544
	3,091,795	1,742,398
LOSS BEFORE INCOME TAXES	2,127,900	1,478,390
FUTURE INCOME TAXES (BENEFIT) (Note 14)	(1,605,321)	773,200
NET LOSS	522,579	2,251,590
DEFICIT, BEGINNING OF YEAR, RESTATED (Note 9)	6,315,006	4,063,416
DEFICIT, END OF YEAR	\$ 6,837,585	\$ 6,315,006
NET LOSS PER SHARE, BASIC AND DILUTED	\$ 0.01	\$ 0.03
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	107,539	82,855

See notes to financial statements.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

	2007	2006 <i>restated</i>
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES:		
Net loss	\$ (522,579)	\$ (2,251,590)
Non-cash items		
Stock-based compensation	1,377,348	244,541
Write-off of deferred expenditures	-	66,544
Future income taxes	(1,605,321)	773,200
Changes in non-cash working capital items (Note 15)	1,209,428	(426,217)
	<u>458,876</u>	<u>(1,593,522)</u>
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES:		
Term deposits (acquisition)	8,680,857	(8,680,857)
Acquisition of mining properties	(30,493)	(382,000)
Transfer of mining properties and deferred expenditures	-	225,000
Increase in deferred expenditures	(19,052,406)	(4,058,024)
Capital expenditures	(639,229)	-
	<u>(11,041,271)</u>	<u>(12,895,881)</u>
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:		
Repayment of term loan	-	(110,000)
Common share issuance	30,701,350	15,411,589
Common share issue costs	(1,694,203)	(1,019,443)
	<u>29,007,147</u>	<u>14,282,146</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>18,424,752</u>	<u>(207,257)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>561,344</u>	<u>768,601</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,986,096</u>	<u>\$ 561,344</u>

Additional information related to cash flows	2007	2006
Non-cash items related to operating, financing and investing activities:		
Acquisition of mining properties in exchange of common shares	\$ 6,745,500	\$ 228,000
Future income taxes included in the cost of mining properties	\$ 2,809,321	\$ -
Deferred expenditures financed through increases in accounts payable	\$ 489,370	\$ 952,377
Transfer of mining properties and deferred expenditures	\$ -	\$ 3,200,172
Depreciation on fixed assets included in deferred expenditures	\$ 174,540	\$ -
Common share issue costs paid for through the issuance of warrants	\$ 701,875	\$ 304,140

See notes to financial statements.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

1. INCORPORATION AND NATURE OF OPERATIONS

The Company is incorporated under the *Canada 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, 2007, 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

NEW ACCOUNTING STANDARDS

Changes in Accounting Policy – Financial Instruments

The Canadian Institute of Chartered Accountants has issued new accounting standards for financial instruments: a) Section 1530 "Comprehensive Income", which introduces a new requirement regarding the temporary exclusion of certain types of gains and losses from net income; b) Section 3855 "Financial Instruments – Recognition and Measurement", which prescribes when an entity must recognize a financial asset or liability or a non-financial derivative instrument on its balance sheet and whether such recognition of the amount must be based on the fair value or the cost, and also specifies how to present the gains and losses on financial instruments; c) Section 3865 "Hedges", which describes when and how hedge accounting may be used. The Company adopted these new recommendations on January 1, 2007, and classified its assets and financial liabilities as financial instruments held for sale and recognizes them at fair value, which corresponds to their cost given their short term. Adoption of these new standards did not have an impact on the Company's interim financial statements.

New Accounting Requirements

As of January 1, 2008, the Company must comply with the following new standards: a) Section 1535, "Capital Disclosures", which requires that an entity provide information about the objectives, policies and processes used by the entity to manage its capital; b) Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation", which replace Section 3861, "Financial Instruments – Disclosure and Presentation" and assign greater importance to the disclosure of information on the risks associated with recognized and unrecognized financial instruments and the way such risks are managed. These new requirements only affect information to be disclosed and do not have a financial impact on the Company's financial statements.

CASH AND CASH EQUIVALENTS

The Company considers cash and short-term investments maturing within three months of 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 government assistance received. In the event of a production decision, costs related to a deposit and recorded under mining properties and deferred exploration expenditures are transferred to fixed asset, and then amortized on the basis of units of production for the year and proven and probable ore reserves. However, when a project is abandoned, the corresponding costs are charged against earnings.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

CREDIT ON DUTIES REFUNDABLE FOR LOSSES AND REFUNDABLE TAX CREDIT RELATED TO RESOURCES

The Company is eligible for a refundable credit on duties under the Québec *Mining Duties Act*. This refundable credit on duties is equal to 12% of expenses incurred for mining activities in Québec and is recognized as a credit under deferred expenditures.

The Company is also eligible for a refundable tax credit for resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred. This tax credit is recognized as a credit under deferred expenditures.

FIXED ASSETS

Fixed assets are depreciated using the straight line method over three years for fuel tanks, and using the diminishing balance method at a rate of 20% for rolling stock, machinery and equipment.

CAPITAL STOCK

Shares issued in consideration of non-monetary items are generally recorded at the market value of the shares over a reasonable period preceding and following the announcement of the agreement regarding their issuance.

Share issue costs and future income taxes arising from the variance between the carrying value and the fiscal value of exploration expenses are included in share capital as a credit.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The Company recognizes options granted under the stock option plan as well as warrants granted to brokers pursuant to some financings using the fair value method. Options granted to non-employees and brokers' warrants are recorded based on fair value determined using the Black-Scholes option pricing model.

When options or warrants are granted to brokers, the remuneration expense is charged to the activity in question and the counterpart to contributed surplus.

Any counterpart paid by the participants when broker options or warrants are exercised, as well as any contributed surplus created when broker options or warrants are granted, 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 recognized 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 recognized in the year in which the rates change.

NET LOSS PER SHARE

The basic and diluted 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, 2007 AND 2006

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

USE OF ESTIMATES

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

3. CASH AND CASH EQUIVALENTS

	2007	2006
Cash	\$ 763,484	\$ 59,220
Term deposits with variable rate of 4.35% to 4.56% (rate of 4.19% in 2006)	18,222,612	502,124
	\$ 18,986,096	\$ 561,344

4. MINING PROPERTIES

	Interest	2007	2006
Mont-Laurier Uranium	100%	\$ 10,000	\$ 10,000
Matoush	100%	337,000	337,000
Eclat	100%	774,000	112,000
Apple	100%	8,923,314	-
		\$ 10,044,314	\$ 459,000

5. DEFERRED EXPENDITURES

	Balance at December 31, 2006	Exploration expenses	Deduction	Balance at December 31, 2007
Mining properties				
Mont-Laurier Uranium	\$ 153,062	\$ 345,453	\$ (171,681)	\$ 326,834
Matoush	2,990,465	17,655,159	(8,115,533)	12,530,091
Eclat	101,539	347,007	(179,804)	268,742
Apple	-	129,781	(60,255)	69,526
Pacific Bay Matoush	-	286,539	(137,105)	149,434
Prospecting	5,519	-	-	5,519
	\$ 3,250,585	\$ 18,763,939	\$ (8,664,378)	\$ 13,350,146

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

5. DEFERRED EXPENDITURES (CONT'D)

	Balance at December 31, 2005	Exploration expenses	Deduction	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	176,935	(45,800)	153,062
Matoush	186,236	4,158,544	(1,354,315)	2,990,465
Beaver Lake Area	2,300	-	(2,300)	-
Eclat	4,860	169,018	(72,339)	101,539
Prospecting	5,519	-	-	5,519
	\$ 3,186,251	\$ 4,715,754	\$ (4,651,420)	\$ 3,250,585

6. FIXED ASSETS

	Cost	Cumulative depreciation	Net value at December 31, 2007	Net value at December 31, 2006
Fuel tanks	\$ 266,191	\$ 85,700	\$ 180,491	\$ -
Rolling stock	176,270	42,147	134,123	-
Machinery	105,012	32,083	72,929	-
Equipment	76,859	10,700	66,159	-
Computer equipment	14,897	3,910	10,987	-
	\$ 639,229	\$ 174,540	\$ 464,689	\$ Nil

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

7. 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.

	December 31, 2007		December 31, 2006	
	Common shares	Amount	Common shares	Amount
ISSUED AND FULLY PAID				
Balance, beginning of year	96,373,367	\$ 18,962,859	61,771,257	\$ 7,898,833
In consideration of mining properties	3,450,000	6,745,500	500,000	228,000
In cash				
- Private placements	9,620,000	25,012,000	15,700,000	10,760,000
- Exercise of stock options	320,500	171,050	2,524,000	532,800
- Exercise of warrants	4,404,000	5,573,500	15,878,110	3,616,889
Reduction of paid-up capital (Note 13)	-	-	-	(3,200,172)
Amounts from contributed surplus (Note 10)				
- Exercise of warrants	-	60,828	-	257,139
- Exercise of stock options	-	79,251	-	192,953
Issue costs				
- Brokerage fees	-	(1,569,020)	-	
- Warrant grant	-	(701,875)	-	(304,140)
- Professional fees	-	(125,183)	-	(1,019,443)
Balance, end of year (a)	114,167,867	\$ 54,208,910	96,373,367	\$ 18,962,859

- (a) At the end of the 2007 and 2006 financial years, 187,500 common shares were escrowed (Guy Hébert – 137,500 and Jean-Pierre Lachance – 50,000) and could not be transferred, mortgaged, pledged or otherwise assigned without the consent of the *Autorité des marchés financiers*. On January 14, 2008, 60 days following the date of the November 14, 2007 press release, the escrow agent Computershare Trust Company of Canada released those shares. Consequently, no shares of the Company remain in escrow.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

7. CAPITAL STOCK (CONT'D)

WARRANTS

At December 31, 2007, there were 6,118,200 warrants outstanding (5,143,500 in 2006), each entitling its holder to purchase one share of the Company. Changes to the warrants are shown in the following table:

	2007		2006	
	Number	Weighted-average strike price	Number	Weighted-average strike price
Balance, beginning of year	5,143,500	\$ 1.12	8,842,009	\$ 0.20
Adjustment to beginning of balance	(3,500)	\$ 0.20	-	\$ -
Issued	5,387,200	\$ 3.40	12,800,000	\$ 0.61
Exercised	(4,404,000)	\$ 1.27	(15,878,110)	\$ 0.23
Expired	(5,000)	\$ 1.50	(620,399)	\$ 0.24
Balance, end of year	6,118,200	\$ 3.03	5,143,500	\$ 1.12

See notes to the following table.

The strike prices and the expiry dates of the warrants are as follows:

Strike price	Number	Expiry
\$0.20	31,000	January 18, 2008
\$0.26	700,000	February 8, 2008
\$2.60	577,200 ⁽¹⁾	January 31, 2009
\$3.50	4,810,000	January 31, 2009
	6,118,200	

- ⁽¹⁾ On January 31, 2007, pursuant to a private placement with an underwriting syndicate led by Orion Securities Inc. and including Dundee Securities Corporation, Blackmont Capital and Spratt Securities Inc., the Company issued broker options equal to 6% of the total number of units sold under the placement (577,200 units). Each broker option allows the underwriters to purchase one unit at the issue price until January 31, 2009. One unit at \$2.60 consisted of one common shares and half a warrant. Each full warrant entitles the holder to purchase one share at \$3.50 per share. A total of 288,600 warrants could eventually be exercised. At any time after June 1st, 2007, the Company may notify the holders of broker options of its intention to force the exercise of the broker options should the Company's 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.

During the year ended December 31, 2007, 5,387,200 warrants (12,800,000 in 2006) were issued. From this amount, 4,810,000 (11,600,000 in 2006) were issued pursuant to private placements and 577,200 (1,200,000 in 2006) were issued to brokers.

During the year ended December 31, 2007, 4,404,000 warrants (15,878,110 in 2006) of the Company were exercised.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

7. CAPITAL STOCK (CONT'D)

WARRANTS (CONT'D)

The fair value of each broker 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 \$1.2160 per warrant (\$0.2534 in 2006).

The following assumptions were used in the calculations:

	2007	2006
Risk-free interest rate	2.80%	2.68%
Expected life	1 yr	1 yr
Volatility	110%	102%
Expected dividend yield	0.0%	0.0%

An amount of \$701,875 was recognized in the share issue costs and credited to contributed surplus (\$304,140 in 2006).

8. STOCK OPTION PLAN

The Company has a stock option plan for its officers, directors, key employees and consultants. During the year, the Company increased the number of common shares reserved for issuance under the plan from 3,800,000 to 10,654,586. The maximum number of options that can be granted to any participant may not exceed 5% of the issued and outstanding shares of the capital stock. The strike price of the options granted may not be less than the market price, which corresponds to the weighted average price based on the volume and price of the shares traded on the Toronto Stock Exchange for the five days preceding the option grant. 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:

	2007		2006	
	Number of options	Weighted-average strike price	Number of options	Weighted-average strike price
Balance, beginning of year	928,000	\$ 0.37	2,248,000	\$ 0.19
Granted	1,499,000	\$ 3.14	1,204,000	\$ 0.37
Exercised	(320,500)	\$ 0.53	(2,524,000)	\$ 0.21
Balance, end of year	2,106,500	\$ 2.32	928,000	\$ 0.37

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

8. STOCK OPTION PLAN (CONT'D)

The outstanding stock options and the stock options exercisable as at December 31, 2007 are shown in the following table:

Options outstanding			Options exercisable		
Weighted-average strike price	Number	Weighted-average lifespan (years)	Weighted-average strike price	Number	
\$ 0.20	400,000	3.18	\$ 0.20	400,000	
\$ 0.38	25,000	3.43	\$ 0.38	25,000	
\$ 0.40	175,000	3.27	\$ 0.40	175,000	
\$ 1.50	7,500	4.08	\$ 1.50	4,500	
\$ 2.38	45,000	4.22	\$ 2.38	15,000	
\$ 2.60	100,000	4.28	\$ 2.60	100,000	
\$ 2.72	120,000	4.72	-	-	
\$ 2.80	30,000	4.29	\$ 2.80	20,000	
\$ 2.86	150,000	4.41	\$ 2.86	150,000	
\$ 3.00	9,000	4.44	\$ 3.00	3,000	
\$ 3.20	345,000	4.63	-	65,000	
\$ 3.37	700,000	4.47	\$ 3.37	700,000	
\$ 2.12	2,106,500	4.13	\$ 2.06	1,657,500	

During the year ended December 31, 2007, the Company granted 1,499,000 stock options (1,204,000 stock options in 2006) to officers, directors, consultants and employees of service providers. 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 \$1.3110 per option (\$0.2031 per option in 2006).

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

	2007	2006
Risk-free interest rate	3.06%	2.64%
Expected life	1 yr	1 yr
Expected volatility	103%	127.15%
Expected dividend yield	0.0%	0.0%

An amount of \$1,377,348 was recognized in earnings and credited to contributed surplus in 2007 (\$244,541 in 2006).

9. RESTATEMENT OF PRIOR YEAR'S RESULTS

A provincial tax rate of 8.11% rather than 9.9% was used to calculate future income taxes for the year ended December 31, 2006. The financial statements for that year were restated to correct the error. The restatement resulted in a \$44,600 increase in the amount credited to contributed surplus arising from the related-party transaction (Notes 10 and 13) and increased in the same amount future income taxes and the balance of the deficit as at December 31, 2006.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

10. CONTRIBUTED SURPLUS

		2007		2006 <i>restated</i>
Balance, beginning of year	\$	1,066,864	\$	170,675
Attributions				
- Warrants		701,875		304,140
- Stock options		1,377,348		244,541
Exercise of securities				
- Warrants		(60,828)		(257,139)
- Stock options		(79,251)		(192,953)
Related-party transaction (Notes 9 and 13)		-		797,600
Balance, end of year	\$	3,006,008	\$	1,066,864

11. 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 interest (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.

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% interest in the Eclat uranium 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 royalty.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

11. COMMITMENTS AND CONTINGENCIES (CONT'D)

SERVICES AGREEMENT

On August 1st, 2005, the Company and BBH Géo-Management Inc. ("BBH"), a related company (Note 13), signed an agreement under which BBH will provide the Company with the following services: office space, office and computer equipment, secretarial, management, administration, 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 to be reviewed each year on July 31. The estimated amount to be paid over the next year is \$38,400.

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.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of short-term financial instruments approximates their fair value due to their relatively short term and normal commercial conditions.

13. RELATED-PARTY TRANSACTIONS

On August 17, 2006, the Company 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-capital.

Following this operation, a future income tax benefit of \$797,600 was credited to contributed surplus.

During the current year, consultant and subcontractor fees of \$1,145,000 (\$197,000 in 2006) and management fees of \$1,823,000 (\$583,000 in 2006) shown in the statement of deferred expenditures were paid to BBH Géo-Management Inc., of which Guy Hébert, a director and officer of the Company, is also a director and officer.

General and administrative expenses of \$643,000 (\$451,000 in 2006) shown in the earnings statement were paid to the same company.

In addition, legal fees of \$23,000 (\$57,000 in 2006) included in share issue costs were paid to the same company.

At December 31, 2007, accounts payable and accrued charges included an amount of \$148,000 (\$344,000 as at December 31, 2006) owed to the same company.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

14. INCOME TAXES

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

	2007	2006
Loss before income taxes	\$ 2,127,900	\$ 1,478,390
Combined Canadian statutory income tax rate	31.52%	<i>restated</i> 32.02%
Income tax benefit at the combined Canadian statutory income tax rate	(670,714)	(473,380)
Share issue costs	(212,691)	(195,285)
Stock-based compensation	434,140	78,303
Change in valuation allowance	(1,555,500)	1,555,500
Adjustment pursuant to assessment notices	582,245	-
Non-deductible and other expenses	(182,801)	(191,938)
Future income taxes benefit	\$ (1,605,321)	\$ 773,200

The combined Canadian statutory income tax rate of 31.52% consists of a federal tax rate of 19.62% and of a provincial rate of 11.90% (22.12% federal and 9.9% provincial in 2006).

The tax effects of temporary differences giving rise to material future income tax assets and liabilities as at December 31, 2007 and 2006 are as follows:

	2007	2006
Future income tax asset:		<i>restated</i>
Net operating losses	\$ 1,757,100	\$ 1,393,000
Financial expenses	662,200	346,300
Fixed assets	58,700	
	2,478,000	1,739,300
Less: valuation allowance	-	1,555,500
Total future income tax asset	\$ 2,478,000	\$ 183,800
Future income tax liability:		
Mining properties and deferred expenditures	\$ 3,682,000	\$ 183,800
Future income tax liability	\$ 1,204,000	\$ Nil

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

14. INCOME TAXES (CONT'D)

At December 31, 2007, 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
Losses other than capital losses:		
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	\$ 1,547,059
2027	\$ 1,423,653	\$ 1,421,974
	<u>\$ 5,631,141</u>	<u>\$ 5,481,343</u>
Share issue costs:		
2008	\$ 637,908	\$ 637,908
2009	\$ 581,223	\$ 581,223
2010	\$ 542,728	\$ 542,728
2011	\$ 338,839	\$ 338,839
	<u>\$ 2,100,698</u>	<u>\$ 2,100,698</u>

15. CHANGE IN NON-CASH WORKING CAPITAL ITEMS:

	2007	2006
Tax credits receivable	\$ 1,319,853	\$ 12,653
Sales tax recoverable	(284,109)	(236,857)
Deposits on exploration work and prepaid expenses	103,787	(509,256)
Accounts payable and accrued charges	69,897	307,243
	<u>\$ 1,209,428</u>	<u>\$ (426,217)</u>

16. COMPARATIVE FIGURES

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

17. SUBSEQUENT EVENTS

On January 15, 2008, the Company announced the signature of the final agreement for Strateco to purchase a 60% interest in 277 claims on the Pacific Bay Matoush property belonging to Consolidated Pacific Bay Minerals Ltd. ("Pacific Bay") in the Matoush area in Québec's Otish Mountains. The agreement provides for Strateco to pay a total of \$500,000, issue 200,000 shares to Pacific Bay and invest \$3 million in exploration, including a minimum of 10,000 metres of drilling, over a four-year period.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2007 AND 2006

(in Canadian dollars)

17. SUBSEQUENT EVENTS (CONT'D)

As part of the transaction, the Company acquired one million units of Pacific Bay at \$0.30 per unit. Each unit consisted of one common share and one warrant, with each warrant allowing one common share to be purchased at \$0.60 for a 24-month period. The shares and warrants are subject to a 12-month hold period lasting until January 14, 2009.

On February 12, 2008, 731,000 warrants were exercised, and the Company issued 731,000 common shares for proceeds of \$188,200.

On February 21, 2008, Strateco and Majescor Resources Inc. ("Majescor") announced the signing of a letter of intent allowing Strateco to acquire an option to earn an undivided 60% interest in Majescor's uranium rights on the Mistassini property, located in Québec's Otish Mountains. The Mistassini property consists in 721 mining claims covering 391 km². The Company decided to exercise its option right following receipt of analyses for three holes drilled by Majescor in December 2007 on the Lac Mantouchiche uranium prospect (see Strateco press release dated November 26, 2007).

The option agreement provides for Strateco to acquire a 60% interest in the uranium rights on the property by carrying out a total of \$1.3 million in exploration expenditures over three years. Strateco must reimburse Majescor approximately \$250,000 for the cost of the drilling program completed in December 2007 and conduct another \$250,000 in exploration on the property in the first year, for a total firm commitment of \$500,000 for the first year of the option. The remaining \$800,000 in exploration expenses will be spent in the second year and third year.

During the option period, Strateco will be the sole operator for all uranium exploration and will have full access to the property. Superior Diamonds Inc. ("Superior Diamonds"), which holds 100% of the diamond rights, will have access to the property to explore for diamonds and will be the sole party authorized to do so. Superior Diamonds is entitled to a 2.0% Yellowcake Royalty on the property. The parties have agreed to finalize a formal option and joint venture agreement within 90 days. This agreement will also be subject to the approval of the regulatory authorities and Superior Diamonds.

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*
Montréal, Québec
President
Northern Precious Metals Funds Inc.

* **Audit Committee member**

Marcel Bergeron*
Town of Mount Royal, Québec
General Manager
Devimco Inc.

Jean-Pierre Lachance
St-Hubert, Québec
Vice President
BBH Géo-Management inc.

Me 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, CGA
Chief Financial Officer

Me Henri Lanctôt
Secretary

SHAREHOLDER INFORMATION

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

Transfer Agent and Registrar
Computershare Trust Company of Canada

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Annual Meeting
On June 10, 2008 at 10:30 AM
Fairmount Hotel The Queen Elizabeth
Richelieu 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).