

# Uraniumletter INTERNATIONAL

the international independent information and advice bulletin for uranium resource investments

Special Situation – October 2011 Update

www.stratecoinc.com



**STRATECO**  
RESOURCES

## Strateco Resources (Cdn\$ 0.38)

TSX : RSC  
H+L prices (12 months) : Cdn\$ 1.34 – 0.36  
Net shares issued : 144.9 million  
Fully diluted : 165,6 million  
Market Capitalization : Cdn\$ 55.1 million

**Next Price Target: Cdn\$ 1.00**

### Company Profile

Strateco Resources ("Strateco") owns 100% interest of 4 uranium properties and has interest or options on 3 mining properties all located in Quebec, Canada. These properties cover 1,068 claims for a total area of 49,606 hectares.

The Company's flagship property is the **Matoush Project**, which covers 312 km<sup>2</sup> on a strike length of 25 km. The Matoush structure has been traced 11 kilometres to the south and 2.5 kilometres to the north of the deposit.

In September 2009, the updated NI 43-101 showed that the indicated mineral resources doubled in the past 12 month to reach 436,000 tonnes grading 0.78% U<sub>3</sub>O<sub>8</sub> containing 7.46 million pounds U<sub>3</sub>O<sub>8</sub>.

Indicated Mineral Resources were, in September 2009, estimated at 436,000 tonnes grading 0.78% U<sub>3</sub>O<sub>8</sub> containing 7.46 million pounds U<sub>3</sub>O<sub>8</sub>.

Inferred Mineral Resources are estimated at 1.16 million tonnes grading 0.50% U<sub>3</sub>O<sub>8</sub> containing 12.78 million pounds U<sub>3</sub>O<sub>8</sub>.



Strateco's 120,000-metre drilling program over two years, at a total cost of Cdn\$ 16 million, is aimed at establishing whether the Matoush structure has the potential to increase substantially the resources pounds of U<sub>3</sub>O<sub>8</sub>.

The drill results obtained to date clearly show that the entire length of the Matoush structure (13.5 km) could be mineralised.

The environmental studies required to build the mill and tailing ponds are scheduled to begin in fall 2011. The mill construction capacity will be decided based on the resources which will be outlined in 2011.

The objective is now to sustain a minimum potential production of 2.7 million pounds of U3O8 per year.

Due to the growth in mineral resources and grade and the reduction off various estimated operating costs, the Scoping Study as per November 2008 was updated as at February 24, 2010.

Strateco expects the estimated production costs of US\$ 23.66 per pound U3O8.

The Company has spent an aggregate of Cdn\$ 60 million in the last three years, of which Cdn\$ 15.4 million in 2010, before Cdn\$ 6 million credits.

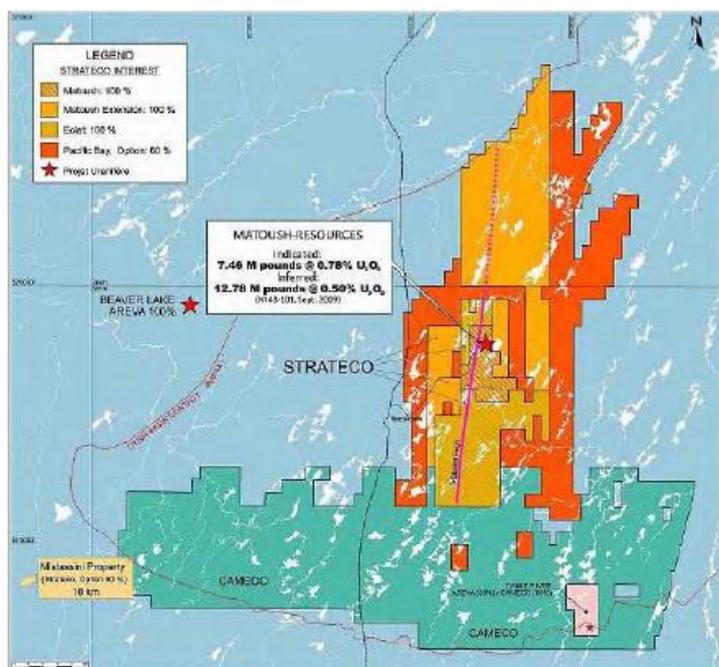
Strateco is eligible for exploration tax credits equal to approximately 50% of surface exploration expenses until such time.

Strateco's cash position amounted to Cdn\$ 10 million as at June 30, 2011 which includes Cdn\$ 4 million reserved for exploration.

## Overview of Projects

### ➤ Matoush Project and High-Grade Uranium Deposit, Otish Mountains, Quebec

Strateco's Matoush Project covers 312 km<sup>2</sup> over a strike length of 25 kilometres and drilling defined over 10 kilometres.



The Matoush High-Grade Uranium Deposit has been discovered by Uranerz Exploration and Mining in the mid-1980s before Strateco has been exploring the Deposit since 2006 and in September 2008 released a NI 43-1101 compliant report outlining Indicated Mineral resource of 3.73 million pounds of U<sub>3</sub>O<sub>8</sub> grading 0.68% U<sub>3</sub>O<sub>8</sub> and Inferred Mineral resource of 13.07 million pounds U<sub>3</sub>O<sub>8</sub> grading 0.44% U<sub>3</sub>O<sub>8</sub>. The Mineral Resources are contained within three zones: AM-15, MT-22 and MT-34.

The high-grade **MT-34 zone** intersected 1.36% U<sub>3</sub>O<sub>8</sub> over 27.50 metres, including 6.03% U<sub>3</sub>O<sub>8</sub> on 4.80 metres. Indicated resources are estimated to total 88,000 tonnes grading 0.97% U<sub>3</sub>O<sub>8</sub>, containing 1.89 million pounds U<sub>3</sub>O<sub>8</sub> and Inferred resources are estimated to total 527,000 tonnes grading 0.55% U<sub>3</sub>O<sub>8</sub> containing 6.35 million pounds U<sub>3</sub>O<sub>8</sub>.

These results come from the NI 43-101 resource estimate update by Scott Wilson Roscoe Postle Associates in September 2008.

Due to the very high grades obtained in hole MT-34 (1.36% U<sub>3</sub>O<sub>8</sub> over 27.50 metres, including 6.03% U<sub>3</sub>O<sub>8</sub> over 4.80 metres) relative to the other grades and thickness for the zone, the influence of hole MT-34 in the September 2008 resource estimate was voluntarily limited.

Since the drilling program began in February 2009, 20,000 metres of initially planned 30,000 metres of exploration drilling in 2009 have been completed. Because of positive drilling results the program has been increased to 35,000 metres.

The success of the drilling program completed on the southern part of the Matoush structure (Eclat Property) and knowledge of the property geology, indicate that the Matoush structure could potentially contain sufficient uranium resources to feed an ore processing plant at a rate superior to the forecasted production of 750 tonnes per day in the Scoping Study (November 2008) and knowledge of the property geology, indicate that the Matoush structure could potentially contain sufficient uranium resources to feed an ore processing plant at a rate superior to the forecasted production of 750 tonnes per day for approximately 2.3 million pounds of U3O8 per year.

On February 24, 2010, Strateco announced an updated Preliminary Assessment (Scoping Study) of its Matoush Property based on the NI 43-101 compliant Indicated and Inferred resource estimate made by Scott Wilson RPA in September 2009.

Average costs are Cdn\$ 300.12 per tonne milled or Cdn\$ 27.84 per pound U3O8 (US\$ 23.66 per poundsU3O8).

Total operating profit is calculated at Cdn\$ 1.04 billion based on a 7-year mine life and capital costs of Cdn\$ 342 million.

The internal rate of return before tax is 41.5%.

STRATECO RESOURCES TSX: RSC		MATOUSH MINERAL RESOURCES		
	Tonnes (x 1,000)	Grade (% U <sub>3</sub> O <sub>8</sub> )	Pounds U <sub>3</sub> O <sub>8</sub> (x 1,000)	
<b>INDICATED</b>				
AM-15	262	0.70	4,039	
MT-34	174	0.89	3,420	
<b>TOTAL INDICATED</b>	<b>436</b>	<b>0.78</b>	<b>7,458</b>	
<b>INFERRED</b>				
AM-15	33	0.34	249	
MT-22	822	0.53	9,526	
MT-34	302	0.45	3,003	
<b>TOTAL INFERRED</b>	<b>1,157</b>	<b>0.50</b>	<b>12,777</b>	

Notes :

1. CIM Definition Standards have been followed for classification of Mineral Resources.
2. The cut-off grade of 0.1 % U<sub>3</sub>O<sub>8</sub> was estimated using a U<sub>3</sub>O<sub>8</sub> price of US\$75/lb and assumed operating costs.
3. High U<sub>3</sub>O<sub>8</sub> grades were cut to 9%.
4. The Mineral Resource estimate uses drill hole data available as of September 1, 2009.
5. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
6. Totals may not sum correctly due to rounding.

September 2009  
Scott Wilson RPA

## ORE PRODUCTION AND RECOVERED METAL - FEBRUARY 2010

Year	Mill Feed (x 1,000) Tonnes	Grade % U <sub>3</sub> O <sub>8</sub>	Recovered Metal 97.6% (x 1,000 pounds) U <sub>3</sub> O <sub>8</sub>
1	169.8	0.639	2,334
2	240.6	0.400	2,073
3	262.7	0.461	2,605
4	262.2	0.522	2,947
5	249.5	0.561	3,011
6	224.1	0.496	2,392
7	239.6	0.468	2,413
<b>TOTAL</b>	<b>1,648.6</b>	<b>0.501</b>	<b>17,775</b>

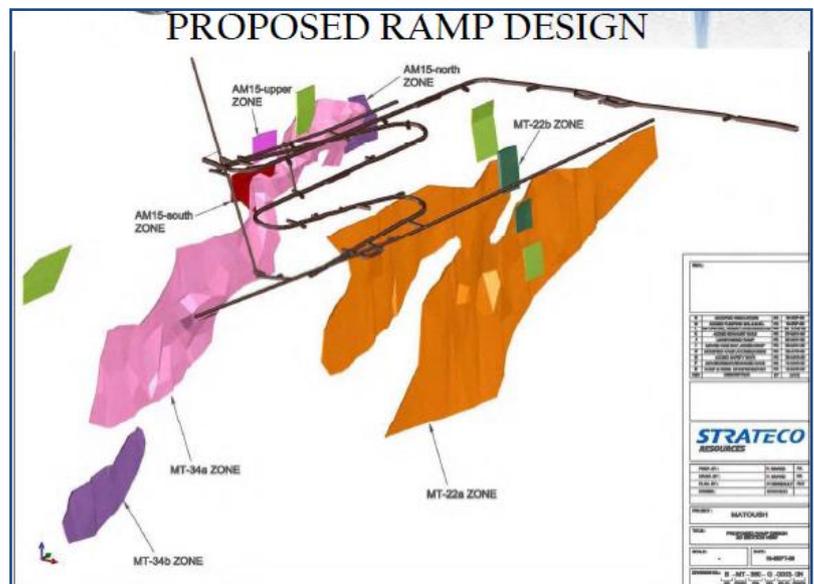
	(X 1,000) CAN\$
Gross Revenue	1,568,363
Transport to smelter	1,777
Royalty	31,332
NSR Gross Revenue after the Royalty	1,535,253

### 2010 Drilling Program

By the end of January 2010, Strateco announced the start of its largest drilling program to date on its Matoush Project.

During the 2010 program, Strateco has focused its exploration efforts on the Matoush structure, and more precisely on the ACF4, which starts at a vertical depth of about 400 metres and extends to about 850 metres. The MT-22 and MT-34 zones discovered by Strateco are located in this layer.

The MT-34 zone contains an indicated resource of 3.4 million pounds of U<sub>3</sub>O<sub>8</sub> and an inferred resource of 3.0 million pounds of U<sub>3</sub>O<sub>8</sub>, and the MT-22 zone contains an inferred resource of 9.5 million pounds of U<sub>3</sub>O<sub>8</sub> (Scott Wilson RPA, Sept. 2009).



In 2010, Strateco drilled 66 holes on the various properties of the Matoush Project, for a total of 39,867 metres of drilling.

At the end of 2010, 200,083 metres (444 holes) have been drilled on the Matoush project since exploration began in 2006.

In November 2010, Strateco announced the discovery of a new high-grade lens 1.5 km south of the three known high-grade lenses at the Matoush Project. Hole MT-10-011 has confirmed the presence of the new MT-36 lens, named for discovery hole MT-09-036, which intersected **0.48% U3O8 over 4.2 metres including 1.29% U3O8 over 1.2 metres**. The pierce point of hole MT-10-011, which intersected **0.33% eU3O8 over 5.1 metres including 2.21% eU3O8 over 0.7 metres**, lies 60 metres from the pierce point of MT-09-036.

The new lens was also intersected by four other holes, namely MT-09-035 (0.17% U3O8 over 2.0 metres), MT-10-009 (0.17% eU3O8 over 1.0 metre, MT-10-001 (0.03% U3O8 over 6.0 metres) and MT-10-013 (0.10% eU3O8 over 8.8 metres).

These values are typical of the values intersected within and near the AM-15, MT-22 and MT-34 lenses.

## SURFACE FACILITIES



In the second quarter of 2010, Strateco received a series of questions from the Canadian Nuclear Safety Commission (“CNSC”), the Federal Environmental and Social Impact Review Panel-South (“COFEX”) and the Provincial Environmental and Social Impact Committee (“COMEX”) requesting that certain aspects of the Matoush Project environmental impact study for the underground exploration phase to be expanded or completed.

Public hearings on November 23 and 25 in relation to the underground exploration phase of the Matoush Project received strong support from Chibougamau and Chapais municipalities. The Company also received the support of tallymen and Cree families whose trap lines are located in the vicinity of the Project, in the Otish Mountains. However, the Chief of the Cree Nation of Mistissini indicated that the community does not support the Matoush Project. Since the public hearings, Strateco develops and intends to deepen relations with the Mistissini Cree in order to respond appropriately to their concerns and eventually secure their support.

On August 2, 2011 Strateco announced that it had reviewed the recommendation report of the Environmental Impact Statement (EIS) for the underground exploration phase of the Matoush Project, issued by the Federal Review Panel South (“FRP-S”) on July 26.

In the conclusion to its report, FRP-S recommends that the Federal Administrator of the James Bay and Northern Quebec Agreement (“IBNQA”) authorize the Project described in the EIS and follow-up documents, conditional on the proponent’s following the recommendations and meeting the conditions set out, including the needs to build a relationship based on trust with the members of the Mistissini community.

In general, the recommendations and conditions refer to the three issues on which the federal administrator asked Strateco for additional information in early July at the recommendation of FRP-S: (1) submission of an amended monitoring program to improve the initial environmental inventories; (2) a new ecotoxicological risk analysis that takes into account a new option for the effluent discharge site; and (3) an assessment of the information, discussion and communication process with the Cree Nations of Mistassini.

Strateco already submitted the additional information requested on the first two issues to the federal administrator in July and has every confidence that it will be able to meet the conditions to the full satisfaction of all the regulatory authorities and stakeholders, including the first and most the Cree authorities and the various initiatives being taken to ensure that the underground exploration phase is carried out in close collaboration with the Crees.

The federal administrator must now send its final recommendation to the Federal Minister of the Environment. The provincial Review Committee (COMEX) must also submit its recommendation report to the JNBQA.

### 2011 Drilling Program

Early March 2011, Strateco announced the results of the first 4 holes drilled in 2011 at Matoush. Located between the M-22 and MT-34 lenses, these holes are part of the first phase of the 30,000 metre drilling program for this year.

Hole MT-11-004 intersected 0.28% eU3O8 over 8.1 metres, including 0.82% eU3O8 over 1.9 metres.

Strateco focuses, its 2011 drilling program on the potential of the large unexplored area between the MT-22 and MT-34 lenses and on the southern extension of the MT-34 lens, in an effort to increase its mineral resource.

Assuming it obtains a licence, Strateco plans to begin its exploration program immediately.

## PROJECT SCHEDULE

Strateco Resources Inc.		Estimation Matoush project																												
2009 — 2016 Project Schedule		2009		2010		2011				2012				2013				2014				2015				2016				
Description	Activities	H1	H2	H1	H2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Exploration/Geology	Surface Drilling																													
	Geological Modeling & Resource Estimation							Rev.					Rev.					Rev.												Rev.
	Underground Drilling																													
Management & Studies	Project Description																													
	Exploration Ramp Design																													
	Scoping Study			Rev.																										
	Permitting	Exploration Ramp								Construction & Production																				
Exploration Ramp Infrastructure	Access Road																													
	Surface Installations																													
Development & Construction	Portal and Exploration Ramp																													
	Lateral Development																													
	Production Ramp																													
	Infrastructure Construction																													
Production	Process Mill Construction																													
	Commissioning & Start-Up																												★	

| Q - Quarter | H - Half |

➤ **Mistassini Property (60% optioned), Otish Mountains**

In November 2008, Strateco and **Majescor Resources** (MJX – TSX.V) executed an agreement under which Strateco can earn a 60% interest in Majescor’s uranium rights on the Mistassini Property by incurring Cdn\$ 1.3 million in exploration expenditures over 3 years, including a firm Cdn\$ 500,000 commitment in year 1. At the end of 2010, Strateco has spent approximately Cdn\$ 940,000 exploration work on the Property as part of this agreement.

The Mistassini Property, located 50 km southwest of Strateco’s Matoush Property, is comprised of 171 map-designed claims with a total surface area of 9,115 hectares.

During the option period Strateco will be the sole operator for all uranium exploration and will have full and exclusive access to the Property.

Northern Superior Resources (SUP – TSX.V, which holds 100% of the rights for diamonds and 50.5% of the rights for all mineral substances other than diamonds and uranium on the property optioned to Strateco, is entitled to a 2.0% Yellow Cake Royalty on the Mistassini Property.

During the drill program completed in 2009 on the Mistassini uranium property a new uranium-bearing zone was intersected in the immediate vicinity of the **Lac Mantouchiche uranium showing** (“Mantouchiche showing”). Drill hole MIST-09-03, drilled at -45°, intersected **11.0 metres** grading **0.13% eU<sub>3</sub>O<sub>8</sub>**, including **0.9 metre** at a grade of **1.03% eU<sub>3</sub>O<sub>8</sub>**. This new uraniferous zone is located in the hanging wall of the Mantouchiche showing, at a vertical depth of **32 metres**. The Mantouchiche showing discovery hole, MIST-07-03, drilled an angle of -70° along the same section as hole MIST-09-03, had intersected **18.5 metres** grading **0.215% U<sub>3</sub>O<sub>8</sub>**, at a vertical depth of **47 metres**.

A second drill hole, MIST-09-04, drilled along the same section at -70°, confirmed the vertical extension of the new uranium-bearing zone, with an intercept of **13.9 metres** grading **0.08% eU<sub>3</sub>O<sub>8</sub>** at a vertical depth of **40 metres**, including a sub-intercept of **5.1 metres** grading **0.186% eU<sub>3</sub>O<sub>8</sub>**. The latter hole did not reach the extension of the Mantouchiche showing, inferred to be at about 170 metres vertical depth. The extension of the Mantouchiche showing was however intersected in drill hole MIST-09-03 at a vertical depth of **64 metres**, with an intercept of **3.0 metres** grading **0.08% eU<sub>3</sub>O<sub>8</sub>** including **0.14% eU<sub>3</sub>O<sub>8</sub>** over **1.2 metres**.

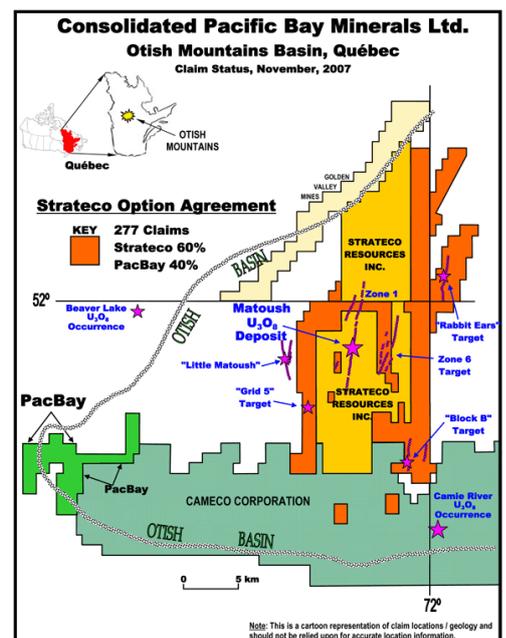
Given the positive results of the 2009 drill campaign and following a structural and geological interpretation, further exploration work will be carried out in 2011.

➤ **Pacific Bay claims (60% optioned) - Otish Mountains**

In January 2008, Strateco and **Pacific Bay Minerals** (PBM – TSX.V) executed a definitive agreement whereby Strateco can earn a 60% interest in 277 Pacific Bay mineral claims comprising an area of 145 square kilometres, located in the Matoush District of Quebec Otish Mountains, where the Company has been drilling the Matoush high-grade uranium body.

The agreement calls for Strateco pay Pacific Bay a total of Cdn\$ 500,000 and issue 200,000 Strateco shares over 4 years and incur Cdn\$ 3 million on exploration expenditures over 4 years, including a minimum of 10,000 metres of drilling.

In the second quarter of 2010 prospecting work was done on the north-south belt to the west of the Eclat South area. This work led to the discovery of a three-metre anomalous sun-outcropping block measuring up to 1,800 counts per second, approximately 4 kilometres west of the Matoush fault.



This new, previously unexplored area now holds particular interest due to the fact that the geological survey data processing revealed the presence of a north-south lineament about 4 kilometres long, which contains 2 clearly identified drill targets.

Three holes drilled in early October to test a similar north-south striking structure located 4.0 km west of the Matoush fault on the Pacific Bay-Matoush property (where Strateco has an option on a 60% interest) proved conclusive. A Matoush-type fault named the Alfred fault, with identical alterations to the Matoush fault, was intersected over 365 metres. The geophysical anomaly indicates that the Alfred fault extends northward and southward. This is one of the most important discoveries on the Matoush project outside the Matoush fault corridor. These holes, which intersected low uranium grades, show that other Matoush-type structures (faults) exist elsewhere on the Matoush Project.

Further drilling will be conducted in 2011.

## **Management & Board of Directors**

**Guy Hébert, President, CEO and Director** of the Company since April 2000, has been active in the international mining industry for the last 35 years. He was the architect of over \$ 400 million in financing in various gold, uranium and base metals mining projects in Canada and overseas. Mr. Hébert is also President of BBH Geo-Management since October 1992. Over the years, he held many management positions for various mining companies: President of Lyon Lake Mines (1986 to 2001); President and CEO of Audrey Resources (1985 to 1992); President, CEO and Director of Altavista Mines (1995 to 2000).

**Jean-Pierre Lachance, Geo., Executive & Exploration Vice President and Director** of the Company since April 2000, has more than 30 years of experience in the mining industry and has held various manager positions with public and private companies in Canada and overseas. He is also Vice President of BBH Geo-Management since October 1992. Between 1996 and 2001, he held many management positions for various mining companies: Vice President, then Executive Vice President of Lyon Lake Mines (1996 to 2001); President of Novontar, a Company with properties in Costa Rica (1996 to 2002); Vice President of Altavista Mines from 1994 to 2004 and was responsible for all of the exploration activities of the company.

**Yvon Robert, CA, Vice President Finance and Treasurer**, is a member of the Ordre des comptables agréés du Québec and holds a Bachelor of Business Administration with the concentration on accounting. Prior to joining Strateco, he held the position of CFO at Opti-Coating laboratories, as well as of Finance & Administration Director of Vision 2 International. Mr. Robert began his career as a Junior Auditor at Samson Belair/Deloitte & Touche, and then moved on to become Senior Auditor and finally Certification and Consulting Services Manager.

**Pierre H. Terreault, Vice President, Operations & Engineering**, graduated from École Polytechniques of Montreal in Mining Engineering and has a Master's Degree in Project Management from l'Université du Québec de l'Abitibi Témiscamingue. He is a member of the Professional Engineer of Quebec, Ontario and Newfoundland. Mr. Terreault has close to 30 years experience in different mining sectors, has held various managing positions and started various mining projects throughout Quebec and Newfoundland.

**Jean-Guy Masse, Director**, is President of Funds Metal Precious Northern since October 2003 and President of Masvil Capital since 1992. From 1992 to 1998 he was President of Orleans Resources and President of CMP Fund Management from 1988 to 1992.

**Robert Desjardins, Director**, obtained his degree in accounting sciences in 1967 from the HEC Montreal. Since 1989, he has been President of Robert G. Desjardins et Associés, a firm specializing in corporate finance and the development of financial products. Mr. Desjardins is a member of the Ordre des Administrateurs Agréés du Québec.

**Henri Lanctôt, Director**, is a partner of Gowling Lafleur Henderson LLP. He was admitted to the Quebec Bar in 1968 after graduating in 1967 from the Faculty of Law of the University of Montreal. In 1984, M<sup>e</sup> Henri Lanctôt joined Lafleur Brown, the law firm that merged with Gowlings on July 1<sup>st</sup>, 2000.

**Marcel Bergeron, CA, Director**, has a Bachelor degree in accounting sciences of the University of Québec in Montreal. He is a member of l'Ordre des comptables en management accrédités du Québec (CMA) since June 1981 and of l'Ordre des comptables agréés du Québec (CA) since December 1983. From July 1990 to June 2006, Mr. Bergeron was a partner of Petrie Raymond, chartered accountants and auditors of the Company and thereafter joined Devimco, a real estate company, in July 2006, as General Manager.

**Paul-Henri Couture** has been a director of the Company since January 2011. He has a bachelor's degree in business administration from HEC Montréal and is a Certified Financial Analyst (CFA). Mr. Couture is the president of Sentient Asset Management Canada Ltd, a Sentient Group company, since 2009. He has over 30 years of experience as a financial management and investment professional. He held various positions at the Caisse de Dépôt et Placement du Québec from 1983 to 2009.

## **Finance**

On June 23, 2011, Strateco announced that it had closed a Cdn\$ 3.5 million non-brokered flow-through financing consisting of 3.57 million federal flow-through shares at Cdn\$ 0.70 each and 1.33 million Quebec flow-through shares priced at Cdn\$ 0.75 each.

### **Investment Recommendation:**

Strateco's **Matoush Project** including its High-Grade Uranium Deposit is the most outstanding project in the prospective Otish Mountains Basin in Quebec, which is often compared to the world renowned Athabasca Basin in Saskatchewan.

Indicated Mineral Resources and Inferred Mineral Resources are estimated now at 7.46 million pounds U3O8 and 12.78 million pounds U3O8, respectively, and offer a lot of potential to be upgraded and expanded since Strateco having completed 20,000 metres of the planned 35,000 metres of exploration drilling in 2009 and the Company planning to carry out 60,000 metres of surface drilling per year in 2010 and 2011.

The objective is to sustain a minimum potential production of up to 2.7 million pounds of U3O8 per year.

In February 2010, Strateco announced an updated Scoping Study of its Matoush Property. Total operating profit is calculated at Cdn\$ 1.04 billion based on a 7-year mine life and capital costs of Cdn\$ 342 million.

With the Project having fully authorized as described in the Environmental Impact Statement, the federal administrator must now send its final recommendation to the Federal Minister of Environment to receive a licence for a mine construction permit.

With production to be expected within the next few years, and based upon the potential to produce 2.7 million pounds of U3O8 per year, Strateco is one of the top-3 advanced exploration/development companies focused on Canada (together with UEX and Hathor Exploration). Also considering the Company's current Mineral resources of 20.2 million pounds U3O8, representing an in-the-ground value of more than US\$ 1.0 billion or US\$ 5.70 per share (fully diluted), and the resource potential to be 60 million pounds U3O8, in our view, enhanced by the overreaction of the uranium market on the nuclear disaster in Japan, the shares of Strateco are strongly undervalued.

Our next price objective is: Cdn\$ 1.00.