



ANNUAL REPORT 2011

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TABLE OF CONTENTS

Management Discussion and Analysis

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS	1
FORWARD-LOOKING STATEMENTS	1
INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN	1
2011 HIGHLIGHTS	2
FINANCING	3
PROJECTS AND NEW ACQUISITIONS	4
EXPLORATION ACTIVITIES	4
ASSESSMENT	10
ENGINEERING, PERMITS AND LICENCE	11
COMMUNITY AND INVESTOR COMMUNICATIONS	15
STRATEGY AND ACTION PLAN	19
QUALITY CONTROL AND QUALITY ASSURANCE	20
EXPLORATION AND EVALUATION EXPENSES AND EXPLORATION SUPPLIES	24
SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS	26
RESULTS OF OPERATION	26
DIVIDEND POLICY	27
CASH ASSETS AND SOURCES OF FINANCING	27
QUARTERLY FINANCIAL INFORMATION	28
FOURTH QUARTER	29
CONTRACTUAL OBLIGATIONS AT DECEMBER 2011	29
OFF-BALANCE-SHEET ARRANGEMENTS	29
RELATED-PARTY TRANSACTIONS	30
STOCK OPTIONS PLAN	30
CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND TRANSITION TO IFRS	31
INTERNATIONAL FINANCIAL REPORTING STANDARDS	31
OUTSTANDING SHARE DATA	31
FINANCIAL INSTRUMENTS	31
RISK AND UNCERTAINTIES	31
INFORMATION DISCLOSURE CONTROLS AND PROCEDURES	33
EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING	33
ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE	34

Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	35
AUDITOR'S REPORT	36
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	38
STATEMENTS OF INCOME (LOSS)	39
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)	40
STATEMENTS OF CASH FLOWS	41
STATEMENTS OF CHANGES IN EQUITY	42
NOTES TO FINANCIAL STATEMENTS	43

Certifications	82
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General information	86
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STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

The following analysis should be read in conjunction with the financial statements of Strateco Resources Inc. ("the Company") for the years ended December 31, 2011 and 2010. The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("*CICA Handbook*"). In 2010, the *CICA Handbook* was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the financial statements of 2011. In this management discussion and analysis ("MD&A"), the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS. The audited financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 1 and IFRS 1, including comparative figures. All amounts are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

The sections of this MD&A on the Company's strategy and action plan and exploration activities contain "forward-looking statements" depending on context, particularly statements that reflect the Company's opinions, estimates and expectations with regard to future events or results. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Factors that could cause future results, activities and events to differ materially from those expressed or implied by such forward-looking statements include, but not limited to, uranium price volatility, risks inherent in the mining industry, uncertainty in the estimation of mineral resources and additional financial requirements, as well as the Company's ability to meet such requirements. These risks and uncertainties are described in this MD&A and in the annual information form filed on SEDAR.

INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

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 does not currently have any mines in production. The Company has a portfolio of four mining properties in which it hold a 100% interest and interests in three mining properties, all in Quebec. Together, these properties cover 941 claims for a total area of 49,606 hectares (496 km²). The Company's activities are focused on the exploration and development of the Matoush project. With the exception of some projects in the Athabasca basin in Saskatchewan, the Matoush project in the Otish Mountains of northern Quebec can be 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 will periodically need to obtain new funds 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.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

URANIUM MARKET

The uranium market has risen considerably since the beginning of the 2000s because of the associated advantages and demand in many industries. Growing energy needs, particularly in emerging countries like China and India, environmental concerns and the availability of the resource for large-scale production are among the factors behind the turnaround in the uranium market. The uranium spot price has risen from about US\$10/pound in 2002 to around US\$70/pound in 2011, even spiking to US\$137/pound in 2007.

The incident in Fukushima, Japan, on March 11, 2011, shook the uranium market, however. The uranium spot price dropped substantially, as did the indices of all uranium companies.

Nevertheless, many analysts are optimistic about the future of the uranium market. Demand for uranium resources remains high despite the announcement of the end of the German, Swiss and Belgian nuclear programs and the referendum opposition of the Italians to the resumption of the nuclear program in their country. Global energy demand is steadily increasing, as is the number of nuclear reactors.

There are currently more than 440 nuclear reactors worldwide in some 30 countries, and another 60 under construction in some 15 countries, primarily in Asia. A greater nuclear presence is also expected in South Korea and Russia, as well as in new countries seeking to diversify their sources of energy, such as the United Arab Emirates and Saudi Arabia. Countries that shut down their nuclear programs following the incident in Japan represent a small proportion of global demand for nuclear power; most European countries with a nuclear program have chosen to maintain it.

There has been renewing interest in the uranium industry since the beginning of 2012. After a difficult year in the wake of events in Japan, the industry appears to be headed for better times. Indeed, for the first time in 30 years, the U.S. has approved the construction of two new nuclear reactors in Georgia. In addition, several countries such as France, China, India, the United Kingdom, the United States and Russia reaffirmed their support for nuclear and almost all countries have maintained their nuclear program.

2011 HIGHLIGHTS

With the unfortunate events in Japan, and specifically at the Fukushima nuclear plant, 2011 was particularly difficult for the uranium industry. However, 2012 started on a very positive note for the Company, with the announcement, on December 23, 2011, of the communication and information agreement with the Cree Nation of Mistissini, a significant increase in the resource at its Matoush uranium project, and that the federal Minister of the Environment, the Honorable Peter Kent, and the Federal Administrator of the James Bay and Northern Quebec Agreement (the “Federal Administrator”), Mrs. Elaine Feldman, have both rendered positive decisions for the Matoush exploration project.

Relations between the Company and the Cree Nation of Mistissini received a boost on December 23, 2011 with the signature of the communication and information agreement (the “Agreement”) required for the underground exploration phase of the Matoush project. This agreement relates to the communication process that will be the cornerstone of the relations between the Company and the Cree Nation of Mistissini during the underground exploration program, and contains various measures to be implemented in close collaboration and in a spirit of partnership to facilitate dialogue.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Following the announcement of the Agreement, the Company was notified, on February 2, 2012, that the federal Minister of the Environment and the Federal Administrator had approved the underground exploration phase of the Matoush project. This announcement was in line with the recommendations of the Federal Review Panel South ("FRP-S") and the Canadian Nuclear Safety Commission ("CNSC") made public in August 2011. In its report, the FRP-S recommended the authorization of "the project described in the environmental impact statement and follow-up documents, conditional on the proponent's following the recommendations and meeting the conditions set out [...]", including social acceptance of the project. For its part, the CNSC concluded, among other things, that, given the mitigation measures identified in the comprehensive study report by the CNSC and FRP-S, the project was not likely to cause significant adverse environmental effects. The minister's announcement reiterated the conclusions of the FRP-S and the CNSC, while the Federal Administrator has authorized the advanced exploration project under certain conditions, including the implementation of a communication and information agreement with the Crees.

In 2011, the Company also announced an updated resource estimate for the Matoush project. The new estimate was completed in early 2012, and the results were excellent. The inferred mineral resource has increased by 50% since the last resource estimate in September 2009, and now stands at 2.04 million tonnes grading 0.43% U₃O₈ for a uranium content of 19.22 million pounds of U₃O₈. The indicated resource is estimated at 453,000 tonnes grading 0.78% U₃O₈ containing 7.78 million pounds U₃O₈.

On the exploration front, the 30,000-metre 2011 drilling program generated very encouraging results, and contributed to a significant increase in the Matoush project inferred resource. The program included holes drilled between the MT-22 and MT-34 lenses, as well as holes MT-11-032 and 033 drilled in the MT-34 lens extension.

In 2011, the Company also carried out three radon surveys that succeeded in identifying promising targets for future drilling. The first radon survey, which was conducted on the Mistassini property during the second quarter and completed in the third quarter, outlined the surface footprint of the mineralization in the drilled part of the property. The second survey, conducted above the AM-08, AM-15 and MT-22 lenses of the Matoush project, showed that it could detect uranium mineralization associated with Matoush-type structures at various depths. Finally, the third radon survey, which covered the Matoush Extension and Eclat properties, identified interesting radon anomalies.

Despite a generally negative market for the uranium industry in 2011, the Company continued to assign particular importance to investor relations. As such, the Company retained the services of a consultant exclusively dedicated to investor relations. The Company's president and chief executive officer also made a series of trips during the year to meet with various investors and institutions.

Finally, the Company is proud that the Matoush project is one of the 11 projects in the Plan Nord, which was launched on May 9, 2011, by the Quebec government. With its advanced exploration program, the Company will be part of one of the largest economic, social and environmental development projects in Quebec's history. In the short term, the Company will benefit directly from the \$330 million investment announced by the Quebec government to extend Route 167 toward the Otish Mountains.

On the financial front, the Company's Board of Directors named, in July, Mr. Yvon Robert, CA, as Vice President, Finance. Mr. Robert will also act as Chief Financial Officer and Treasurer of the Company.

FINANCING

On February 29, 2012, the Company announced that it had closed a private placement of 16,025,620 flow-through shares with a syndicate of agents for gross proceeds of \$9,999,988. In accordance with the terms of the flow-through share subscription agreements, the Company has undertaken to renounce \$9,999,988 in eligible expenditures to eligible investors effective December 31, 2012. The Company paid cash an agents' commission of 5.5% of the gross proceeds of this flow-through private placement.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

On February 29, 2012, the Company closed a second private placement with The Sentient Group (“Sentient”), non-brokered, of 6,000,000 units priced at \$0.50 each for gross proceeds of \$3,000,000. Each unit consisted of one common share and one-half of one warrant. Each warrant entitles its holder to purchase one common share at \$0.65 up until March 1, 2014. Sentient received 180,000 additional units, representing 3% of the gross proceeds of the placement, as a transaction fee.

The Company will use the proceeds of both these financings to continue exploration and development of its properties and for general working capital purposes.

On December 29, 2011, the Company entered into a \$3,000,000 bridge loan agreement with SIDEX LP (“SIDEX”). The loan bears interest at an annual rate of 8%. In connection with the loan, the Company issued 500,000 common share purchase warrants to SIDEX. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.75 per share. Each common share is subject to a four-month resale restriction. The loan is secured and must be repaid within 30 days from the receipt of the 2011 tax credits for resources, or by December 31, 2012, at the latest.

On December 19, 2011, the Company repaid the entire loan of \$4,000,000 from SIDEX concluded November 26, 2010. Repayment of the loan and accrued interest were made following the receipt of refundable tax credits relating to resources related to the 2010 exploration expenses.

On June 23, 2011, the Company completed a non-brokered private placement of an aggregate number of 4,904,904 flow-through common shares for gross proceeds of \$3,500,100. Under the flow-through share subscription agreements, the Company agreed to renounce \$3,500,100 in qualifying expenditures to qualified investors effective December 31, 2011. The Company paid intermediary fees of \$210,000 in connection with the financing.

PROJECTS AND NEW ACQUISITIONS

The Company has concentrated its efforts in 2011 to complete the commitments made under the option agreements in the Pacific Bay-Matoush properties and Mistassini and thus form the joint ventures on these properties.

No new projects have been undertaken and no new acquisitions were made during the year 2011.

EXPLORATION ACTIVITIES

Jean-Pierre Lachance, the Company’s Executive and Exploration Vice President, meets the criteria and is recognized as a qualified person as defined in the *Regulation 43-101, Standards of Disclosure for Mineral Projects*, also called *National Instrument 43-101, Standards of Disclosure for Mineral Projects* in other jurisdictions (“*Regulation 43-101*”) or (“*National Instrument 43-101*”). Mr. Lachance supervised the establishment of the information constituting the basic technical disclosure and approved the information contained herein. Mr. Lachance also verified the data disclosed, including the sampling, analytical or test data underlying the information or opinions contained in the written disclosure below, using a procedure that enabled him to confirm that the data was produced using the appropriate procedures, that it was accurately transcribed from the original source and that it can be used.

The quality assurance and quality control protocols are described in **NOTE 1** following the “**Strategy and Action Plan**” section in this Management Discussion and Analysis. This note provides a technical description of the exploration program analytical procedures, sampling methods, quality assurance and control including information on the use of the letter “e” in eU₃O₈, which represents the **estimated** or **equivalent** U₃O₈ value determined using a calibrated spectral or gamma probe, the methodology for the use of the gamma probe and, finally, a comparison of eU₃O₈ and U₃O₈ results. This technical description can also be found in the *Quality Assurance and Quality Control-QA/QC* section of the Company’s website, at www.stratecoinc.com.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

As part of its 2011 drilling program aimed at increasing the potential of the Matoush project, the Company drilled 52 holes on the Matoush and Pacific Bay-Matoush properties totalling 29,614 metres, including 24,103 metres on Matoush. Among other things, this drilling outlined three new lenses and significantly increased the resource on the Matoush property. On the Mistassini property, five holes totalling 467 metres were drilled, and a radon survey was conducted, with promising results.

In all, 261,834 metres (565 holes) have been drilled since exploration began in 2006.

The Company did not carry out any exploration in 2011 on the Apple property (100% interest) or the Quenonisca property (50% interest in conjunction with SOQUEM).

MATOUSH PROJECT

(Comprising the Matoush, Matoush Extension, Eclat and Pacific Bay-Matoush properties)

The Matoush project, located about 275 km north of Chibougamau in the Otish Mountains of northern Quebec, consists of the wholly-owned Matoush, Matoush Extension and Eclat properties and the Pacific Bay-Matoush property, where the Company holds a 60% undivided interest. The Matoush project currently comprises 590 claims covering a total area of 31,195 hectares (312 km²).

Matoush Property

In the first quarter of 2011, eight holes were drilled on the Matoush property for a total of 5,227 metres.

The holes drilled in the first quarter of the year were focused on the centre of the resources delineated for the AM-15, MT-22 and MT-34 lenses. The goal was to assess the potential of the area between the MT-22 and the MT-34 lenses at vertical depths of between -400 and -700 metres. This area of interest, which extends about 300 metres along strike, has only been tested by a few holes over the years. There could be another lens with a plunge similar to that of the MT-34 lens or continuity of the mineralization between the MT-22 and the MT-34 lenses. As an indication, the only hole drilled in the centre of this area in 2008 intersected the Matoush fault at -500 metres, with a grade of 0.09% U₃O₈ over 3.0 metres.

Seven holes were drilled during the first quarter of 2011 to a vertical depth of between -450 and -550 metres. The results were very encouraging, confirming the presence of high uranium grades in an area that remains, for all intents and purposes, unexplored.

Hole MT-11-004, with a pierce point at the heart of this zone at -520 metres, proved truly impressive, with an intersection of 0.41% U₃O₈ over 5.6 metres, including 0.80% U₃O₈ over 2.5 metres. Four other holes returned sufficiently promising result to indicate the possibility of a new lens.

In the second quarter of 2011, 19 holes were drilled on the Matoush property for a total of 10,745 metres, including two holes abandoned due to poor ground conditions.

The priority for the quarter was to continue drilling in the mineralized area between the MT-22 and MT-34 lenses. Four new holes were drilled to outline this mineralization. Preliminary results included a mineralized zone of 0.03% U₃O₈ over 9.2 metres intersected in Hole MT-11-009. The mineralized area outlined in the first two quarters between the MT-22 and MT-34 lenses was included in the resource estimate update carried out at the end of 2011 to increase the uranium resource on the property.

Five holes were also drilled on the ACF-3 layer to test some unexplored zones to the north and south of the AM-15 Extension lens. The best results (MT-11-019) were 0.05% U₃O₈ over 8.5 metres (including 0.14% U₃O₈ over 2.0 metres) and 0.14% U₃O₈ over 2.8 metres.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The positive results of these two drill holes confirm the growing potential of the AM-15 Extension lens, which is now nearly 400 metres long.

Three holes were also drilled between the MT-34 lens and the MT-06 zone, which confirmed the extension of the mineralization north of Hole MT-09-006 (0.27% U_3O_8 over 9.5 metres, including 0.97% U_3O_8 over 1.2 metres). Results included an interesting mineralized zone intercepted by Hole MT-11-025, located approximately 145 metres from MT-09-006, which returned 0.06% U_3O_8 over 3.5 metres.

The remaining holes were drilled in the area of the Coonishish dike, discovered in 2008 at the northern end of the MT-22 lens. The first hole (MT-11-04), drilled on the Matoush fault, intercepted a mineralized zone grading 0.57% U_3O_8 over 5.5 metres (including 1.39% U_3O_8 over 2.0 metres) at the contact with the Coonishish dike. The other holes drilled in this area did not intersect significant grades despite many similarities with the Matoush fault in terms of mineralization, alteration and structure.

Sixteen holes were drilled on the Matoush property in the third quarter of 2011, for a total of 8,131 metres. Most of the drilling was focused on the south extension of the MT-34 lens, along a distance of about 1.5 km.

Very encouraging results were obtained in holes MT-11-032 and 033, located 200 metres and 400 metres south of the MT-34 lens, respectively. Hole MT-11-032 intersected mineralization with a grade of 0.36% U_3O_8 over 27.5 metres, including 1.37% U_3O_8 over 3.0 metres, and Hole MT-11-033 returned 1.39% U_3O_8 over 4.8 metres, including 3.62% U_3O_8 over 1.60 metres.

Two other holes drilled in the promising area around Hole MT-09-006, about 1 km south of the MT-34 lens, intersected interesting results: Hole MT-11-035 returned 0.05% U_3O_8 over 5.2 metres including 0.42% U_3O_8 over 0.6 metres, and Hole MT-11-036 yielded 0.03% U_3O_8 over 8.1 metres. These holes showed alteration with a high degree of fuschite, tourmaline and oxides, which could be indicators of mineralization.

The area around the MT-36 lens, located about 1.5 km south of the MT-34 lens, was also drilled at the top of the ACF-4 unit to extend the uranium mineralization towards the south. The two holes drilled returned grades of 0.07% U_3O_8 over 5.0 metres, including 0.12% U_3O_8 over 1.5 metres (MT-11-038), and 0.10% U_3O_8 over 4.4 metres (MT-011-039), respectively.

Drilling results obtained in third quarter of 2011 for the southern extension of the MT-34 lens resulted in the delineation of three lenses with subhorizontal plunge over a distance of about 1.5 km, lying at the top of the ACF-4 unit. These are in addition to the AM-15 Extension lens outlined in the ACF-3 unit in the second quarter of 2011 over a distance of more than 400 metres, as well as another lens identified between the MT-22 and MT-34 lenses. These positive results point to a substantial increase in the resource as reflected in the report 43-101.

In July 2011, a radon survey was conducted by RadonEx above the AM-08, AM-15 and MT-22 lenses to test the method being used. This survey produced very positive results, showing that the method is effective and very quick. This inexpensive technique will thus help reduce exploration costs. The radon anomalies detected are less than 100 metres from the Matoush fault, and were clearly associated with the AM-08 and AM-15 lenses. Weaker, more diffuse anomalies were detected in the portion of the survey corresponding to the MT-22 lens (-400 m), indicating that signal intensity diminishes with depth. This radon survey therefore showed that it could detect uranium mineralization associated with Matoush-type structures at various depths.

As the 2011 drilling program ended in mid-September, relatively little field work was done in the last quarter of 2011. Exploration personnel focused their activities on the preparation of statutory reports, and more specifically on the compilation and interpretation of the drill results on the Matoush property in preparation for the new resource estimate.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Roscoe Postle Associates Inc. (“RPA”), formerly Scott Wilson RPA, was hired in the last quarter of 2011 to update the resource estimate for the Matoush uranium project in accordance with *National Instrument 43-101* using the drill results available at December 31, 2011, and similar methods to those used for the previous resource estimate (RPA, September 2009). The final results of the resource estimate were received on January 2, 2012.

The Company’s chief geologist actively participated in the resource update to lend additional understanding to the various geological parameters involved in the resource calculation, such as density, lithologies and alteration. A mineralization contouring exercise was also undertaken in partnership with RPA. Finally, the Company and RPA checked the database very closely and practiced very tight quality control.

The resource update showed a significant increase in the inferred resource, which now stands at 2.04 million tonnes grading 0.43% U₃O₈ containing 19.22 million pounds of U₃O₈. The indicated mineral resource is estimated at 453,000 tonnes at a grade of 0.78% U₃O₈ for 7.78 million pounds of U₃O₈, which is similar to the 2009 estimate as the Company did not carry out any definition drilling work from November 2009 to October 2011, which would have increased the indicated resource. The mineral resources are contained in the AM-15, MT-34 and MT-22 zones, as well as in the new MT-02, MT-06 and MT-36 zones, over a lateral distance of 3 km. The Matoush structure has been identified over a strike length extending 11 km southward and 2.5 km northward.

The excellent results of holes MT-11-032 (0.36% U₃O₈ over 27.5 metres, including 1.37% U₃O₈ over 3.0 metres) and MT-11-033 (1.39% U₃O₈ over 4.8 metres, including 3.62% U₃O₈ over 1.60 metres) increased the uranium resource significantly by extending the MT-34 lens southward.

In 2011, 42 holes totalling 24,103 metres were drilled on the Matoush property.

Pacific Bay-Matoush Property

Five holes totalling 2,931 metres were drilled in the first quarter of 2011 on the Pacific Bay-Matoush property, where the Company exercised its right to earn a 60% interest. The Company acquired its 60% undivided interest on October 29, 2011.

It should be recalled that in October 2010, three holes drilled to test a north-south-striking structure similar to the Matoush fault, located 4.0 km away, returned positive results. A Matoush-type fault called the Alfred fault, with identical alterations to those of the Matoush fault, was intersected over 365 metres, and a series of holes was planned to test its continuity.

Five holes were therefore drilled in this area in the first quarter, including three to test the northern extension of the Alfred fault over a 270-metre strike length. Another hole was drilled midway between the two holes drilled 365 metres apart in the fall of 2010, and the last hole tested the vertical extension of the fault at a depth of -500 metres.

The five holes confirmed the continuity of the Alfred fault toward the north and at depth, with the presence of alteration typical of the Matoush fault. However, no significant mineralization was encountered.

Five more holes were drilled on the Alfred fault in the second quarter of 2011 for a total of 2,580 metres. These holes outlined the extension of the Alfred fault to the south, thus tracing its continuity over almost two kilometres. The similarities with the Matoush fault remain interesting, as do the conditions for mineralization of the Alfred fault, despite the absence of significant uranium anomalies. The holes drilled to date have confirmed that certain mineralizing properties associated with the lenses on the Matoush fault are also found elsewhere on the property.

In 2011, 10 holes totalling 5,511 metres were drilled on the Pacific Bay-Matoush property.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Commitments

In 2011, the Company fulfilled its obligations under the option and joint venture agreement dated October 29, 2007, between the Company and Consolidated Pacific Bay Minerals Ltd., now called Pacific Bay Minerals Ltd (“Pacific Bay”), and exercised its option to acquire a 60% interest in the Pacific Bay-Matoush property effective October 29, 2011.

In order to acquire its interest over a four-year period, the Company acquired 1,000,000 units of Pacific Bay at a price of \$0.30 per unit in January 2008. Each unit consisted of one common share of Pacific Bay and one warrant to purchase a common share of Pacific Bay at \$0.60 for a period of 24 months. The warrants expired without being exercised. The Company also carried out more than \$3,000,000 in exploration on the property, including a minimum of 10,000 metres of drilling, and made total cash payments of \$500,000 to Pacific Bay and issued a total of 200,000 common shares of the Company to Pacific Bay over a four-year period.

The Pacific Bay-Matoush on which the Company acquired its interest consists of 277 claims in NTS sheets 32P16, 33A01, 22M13 and 23D04 covering an area of 14,576.33 hectares (145.76 km²). The property lies in the Otish Mountains area, about 275 km northeast of Chibougamau, Québec, and is part of the Company’s Matoush project, along with the adjacent Matoush, Matoush Extension and Eclat properties.

Under the joint venture agreement, when the joint venture was formed the Company held a 60% undivided interest and Pacific Bay held a 40% undivided interest in the property. The Company will act as the manager of the joint venture management committee and will manage the exploration committee on the Pacific Bay-Matoush property for as long as it holds an interest of at least 50% in the joint venture.

Under the joint venture, any party whose interest has been diluted to 10% or less will see its interest converted into a 2% Net Smelter Return (“NSR”) and yellowcake royalty on the Pacific Bay-Matoush property. A 2% NSR is also payable by solely and exclusively by Pacific Bay to an individual on 142 of the 277 property claims.

Matoush Extension and Eclat Properties

Based on the promising results obtained from the radon survey above the AM-08, AM-15 and MT-22 lenses, in the third quarter of 2011, the Company decided to carry out another radon survey covering the Matoush Extension and Eclat properties to test for the presence of radon anomalies possibly associated with the Matoush fault in various as-yet unexplored areas, as well as for certain Matoush-type geophysical lineaments.

The preliminary results obtained for the survey as a whole are encouraging. The results for Block 1, located about 4.5 kilometres north of the MT-22 lens, showed an elongated, 500-metre long radon anomaly oriented north-south above the projected northern extension of the Matoush fault. These results are all the more promising as this area has not yet been tested by drilling.

The results for Block 3, located 4.5 kilometres northeast of the AM-15 lens, were also very positive. An elongated 400-metre long radon anomaly striking north-south was detected on the eastern edge of a north-south Matoush-type geophysical lineament not yet tested by drilling. This lineament, identified by MPH Consulting Ltd. in 2010, could be the source of the mineralized boulders (including one with 61,000 cps) of the Laurent-Martin showing, which lie less than 500 metres to the southwest. It should be remembered that two holes drilled 250 metres northeast of the showing in 2007 failed to locate the source. The juxtaposition of this lineament with the radon anomaly makes this a high-priority drill target for 2012.

The radon survey was conducted on the Matoush Extension and Eclat properties early in the last quarter of the year 2011. The RadonEx team took a total of 402 radon readings in six different areas. This then enabled the Company to produce a map showing the final radon results.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The best results of the survey on the Matoush Extension and Eclat properties indicate target areas for exploration during the next drilling program. The final compilation of this survey confirms the presence of a number of promising radon anomalies for the next phases of exploration. Two anomalies deserve special attention and should eventually be tested by drilling: one in the north extension of the Matoush fault (Block 1) and another northeast of the Laurent-Martin showing (Block 3). The other anomalies will be tested by drilling in a second phase if the first two anomalies return positive results.

No drilling was done on the Matoush Extension and Eclat properties in 2011.

OTHER PROPERTY

Mistassini Property

On the Mistassini property, located 50 km southwest of the Matoush property, a helicopter-borne drill was mobilized in mid-January 2011 for a drilling program of about 1,000 metres. Persistent poor weather conditions resulted in serious mobilization delays and significantly limited helicopter travel. Consequently, due to both the poor weather and budget constraints, the program was reduced to 467 metres, and ended on February 9, 2011.

In all, five holes were drilled. Two of these tested geophysical anomalies located at the western and eastern edges of the property, and the three others were drilled on the presumed northern and southern extensions of the mineralized corridor hosting the Lac Mantouchiche prospect discovered in 2007 by Majescor Resources Inc. (“Majescor”) and confirmed by the Company in the summer of 2009.

The first two holes were drilled to test the two resistivity anomalies interpreted from the airborne geophysical survey flown by Fugro Airborne Surveys Corp. in December 2008 and January 2009. No structure was intersected, indicating limited potential. One of the anomalies was explained by a few weak, unmineralized fracture zones, while the second appears to have been caused by moraine material, as no lithological or structural changes were seen.

Two other holes were drilled about 100 metres north of the Mantouchiche showing. While the holes intercepted deformation zones with alteration, they only returned anomalous values with trace uranium.

The hole drilled about 100 metres south of the showing revealed a significant increase in the background values, but no significant mineralization.

In light of the drill results obtained to date on the property, and despite the significant intersections obtained in 2007 and 2009 near the Mantouchiche showing, interpretation suggests that mineralization could occur in the form of vertical lenses whose location has yet to be determined. In order to determine the strike and dip of the structures as an indication of controls to mineralization, a radon survey was conducted in the second quarter.

The Company initiated the radon survey on the Mistassini property on June 27, 2011, in partnership with Majescor. The survey was aimed at determining the strike and dip of the structures to shed light on the controls of the mineralization in the Lac Mantouchiche discovery area.

The survey was completed on July 10, 2011 by the firm hired to perform the survey, RadonEx. Interpretation of the analysis outlined the surface footprint of the mineralization in the drilled part of the property. These positive results should lead to the identification of targets for an upcoming drilling program in joint venture with Majescor, the Company having acquired its 60% interest in the uranium rights on the Mistassini property on February 14, 2011.

In 2011, five holes totalling 467 metres were drilled on the Mistassini property.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Commitments

In 2011, the Company fulfilled its obligations under the option agreement between the Company and Majescor by incurring a total of \$1,300,000 in exploration expenses over the three-year option period. Consequently, the Company acquired a 60% interest in the uranium rights on the Mistassini property. On May 16, 2011, the Company and Majescor signed the joint venture agreement, with an effective date of February 14, 2011.

The Mistassini property on which the Company acquired its interest consists of 171 claims in NTS sheet 32P covering an area of 9,115 hectares (91.15 km²).

Pursuant to the terms of the joint venture agreement, the Company will be the operator of the joint venture for as long as it holds a 50% interest in the uranium rights, and will manage the uranium exploration management committee on the Mistassini property and have exclusive and total access to the property. Northern Superior Resources Inc. ("Northern Superior"), which owns 100% of the diamond rights and 50.5% of the rights on other mineral substances except for diamonds and uranium, has renounced its right to carry out diamond exploration and mining on the property for the duration of the joint venture. Northern Superior is entitled to a 2.0% yellow cake royalty from the Mistassini property.

ASSESSMENT

RESOURCE ESTIMATE

On January 4, 2012, the Company announced the results of the latest resource update for the Matoush project, indicating that the inferred resource had increased by 50% since the last resource estimate in September 2009. The inferred resource now stands at **2.04 million tonnes** grading **0.43% U₃O₈** containing **19.22 million pounds of U₃O₈**. RPA updated the resource estimate for the Matoush uranium project in accordance with *National Instrument 43-101* (see table below) using the drill results available at December 31, 2011, and similar methods to those used for the previous resource estimate (RPA, September 2009).

The indicated resource is estimated at **453,000 tonnes** at a grade of **0.78% U₃O₈** for **7.78 million pounds of U₃O₈**, which is similar to the 2009 estimate, as from November 2009 to October 2011, the Company did not carry out any definition drilling work that would have increased the indicated resource. For 2012, the Company is planning a 15,000-metre drilling program, including some 11,000 metres of definition drilling aimed at outlining the indicated resource within the boundaries of the new inferred resource zones.

The indicated resource is contained in zones AM-15 and MT-34. The inferred resource is contained primarily in the MT-22, MT-34 and AM-15 Extension zones, as well as in the new MT-02, MT-06 and MT-36 zones. The Matoush structure has been identified over a strike length extending 11 km southward and 2.5 km northward. *See under "Matoush Project – Longitudinal – 2012 Resource"* at www.stratecoinc.com.

The increase in the inferred resource is explained first and foremost by exploration drilling carried out by the Company on a 200-metre lateral spacing. This drilling led to the extension of the MT-34 zone and the identification of the new MT-02, MT-06 and MT-36 zones. The Company also drilled on a grid of approximately 75 metres to determine the inferred resource. It should be noted that the indicated resource in the AM-15 and MT-34 zones was estimated using a 10 to 25-metre drill grid.

No mineral reserves have yet been identified at the Matoush project. The next major exploration phase is scheduled to begin in 2012, once the licence for the program of underground exploration has been obtained. One of the goals will be to convert the mineral resources to mineral reserves.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Table 1: Matoush Project Resource Estimate (RPA, January 2012)

	Tonnes (x 1 000)	Grade (% U₃O₈)	Pounds U₃O₈ (x 1 000)
Indicated			
AM-15	269	0.70	4,170
MT-34	184	0.89	3,610
Total Indicated	453	0.78	7,780
Inferred			
AM-15	91	0.21	430
MT-02	64	0.36	500
MT-06	192	0.18	770
MT-22	885	0.52	10,160
MT-34	607	0.47	6,300
MT-36	201	0.24	1,070
Total Inferred	2,041	0.43	19,220

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 0.1% U₃O₈.
3. High U₃O₈ grades were cut to 9%.
4. Mineral Resource are estimated using an average long-term uranium price of US\$80 per pound U₃O₈, and a US\$/C\$ exchange rate of 1.0.
5. A minimum mining width of 1.5 metres was used.
6. Numbers may not add due to rounding.

Qualified Person – Resource: The Matoush project mineral resource reported in the technical report entitled: « Technical Report on the Mineral Resource Update for the Matoush Project, Central Quebec, Canada » dated February 15, 2012, were estimated by David Ross, P.Geo., Normand L. Lecuyer, B.Sc., P.Eng., M. Barry Cook, M.Sc., P.Eng., employees of Roscoe Postle Associates (“RPA”), formerly Scott Wilson RPA, and Bruce C. Fielder, P. Eng., from Melis Engineering Ltd., which are independent of Strateco. By virtue of their education and relevant experience, these people are recognized as « qualified persons » for the purpose of *National Instrument 43-101*. The mineral resources have been classified in accordance with *CIM Definition Standards for Mineral Resources and Mineral Reserves* (November 2010). Messrs. Ross, Lecuyer and Cook have reviewed and approved the contents of this MD&A as they related to the disclosure of the mineral resource at the Matoush project.

ENGINEERING, PERMITS AND LICENCE

LICENCE

There were many new developments in the licencing process for the Matoush underground exploration project in 2011. The Company’s efforts and work finally led to the approval of the underground exploration phase by the Federal Minister of the Environment and the Federal Administrator of the James Bay and Northern Quebec Agreement (the “Federal administrator”) in early 2012.

First, in mid-May 2011, the FRP-S submitted its recommendations on the Matoush project environmental impact statement to the Federal administrator and the CNSC. This report was made public on last July 26.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

In the conclusion to its report, FRP-S recommended that the Federal Administrator “authorize the project described in the environmental impact statement and follow-up documents, conditional on the proponent’s following the recommendations and meeting the conditions set out [...]”. In its conditions, FRP-S assigned particular importance to the acceptance of the project at the local and regional levels, underscoring that, among other things, “the proponent needs to build a relationship based on trust with the members of the Mistissini community”.

In general, the recommendations and conditions in the FRP-S report referred to three issues: (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 Nation of Mistissini.

Following the filing of the FRP-S recommendation report, the Company received a request from the Federal Administrator in July for additional information in relation to approval of the environmental impact assessment. The Federal Administrator needed more information on the three above-mentioned issues to make its recommendations to the federal Ministry of the Environment.

The Company submitted the additional information requested on the first two issues to the Federal Administrator on July 22, 2011. In terms of relations with the Cree Nation of Mistissini, the Company informed the Federal Administrator of the resumption of talks with Cree authorities and the various initiatives being taken to ensure that the underground exploration phase is carried out in close collaboration with the Crees, in a spirit of partnership.

Then, on July 29, 2011 the CNSC rendered its decisions on the environmental impact statement (“EIS”) for the Matoush uranium project. These decisions were based on the Environmental Assessment Comprehensive Study Report (“CSR”) regarding the underground exploration phase of the Matoush project. The CSR includes the FRP-S environmental assessment report and an addendum from CNSC staff.

CNSC staff acknowledged that the EIS prepared by the Company for the underground exploration phase of its Matoush project “meets the requirements of the James Bay and Northern Quebec Agreement and the Canadian Environmental Assessment Agency, and that Aboriginal consultation activities had been integrated into the Environmental Assessment review process”. Among other things, the CNSC concluded that “the project, taking into account the mitigation measures identified in the Environmental Assessment Screening Report, is not likely to cause significant adverse environmental effects” and decided to refer the CSR to the federal Minister of the Environment.

Once the federal Minister of the Environment received the CSR on last August 15, the public had a period of 30 days ending September 15, 2011, to review the report and make comments.

On December 23, 2011, the Company announced that it had signed a communication and information agreement with the Cree Nation of Mistissini. Such an agreement was important for that a relationship of trust to be established between the Company and the Cree Nation of Mistissini and the Matoush underground exploration project to begin.

The minister rendered his decision on February 2, 2012, taking into account the public’s comments, the recommendations in the CSR and the latest developments regarding the Cree Nation of Mistissini. He stated that “the project, taken into account the mitigation measures described in the Comprehensive Study Report, is not likely to cause significant adverse environmental effects”. He added that “the mitigation measures and follow-up program described in the Comprehensive Study Report are appropriate for the proposed project”. The minister’s news release can be found on the website of the Canadian Environmental Assessment Agency (“CEAA”).

www.ceaa.gc.ca/050/details-fra.cfm?evaluation=46115

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The Federal Administrator also announced on February 2, 2012 its approval of the underground exploration phase of the Matoush uranium exploration project. She specified that the decision in favour of the Matoush exploration project is conditional on the mentioned conditions, and underscored the importance of ensuring the proper implementation of the communication and information agreement signed between the Cree Nation of Mistissini and Strateco. Both the letter and the conditions set by the Federal Administrator can also be found on the CEEA's website.

www.ceaa.gc.ca/default.asp?lang=En&n=D80E970C-1

The CNSC must now hold public hearings on the technical aspects of the underground exploration program, during which the public will once again have the opportunity to express its views. The CNSC will then render its decision regarding the granting of the licence for the advanced exploration phase of the Matoush project.

At the provincial level, the provincial Review Committee ("COMEX") submitted its recommendation report to the Provincial Administrator of the James Bay and Northern Quebec Agreement (the "Provincial Administrator") in August 2011, but it has not yet been made public. The Company has not seen the report.

CNSC public notices can be found on its website at <http://nuclearsafety.gc.ca/>. The various government reports, along with the Company's studies in connection with the Matoush project underground exploration phase, can be found on the Canadian Environmental Assessment Agency's website, at www.ceaa-acee.gc.ca.

STUDIES / PERMITS / AUTHORIZATIONS

Throughout 2011, the Company's team continued to work on the various studies and analyses required to start the underground exploration program.

First, on January 17, 2011, the Company received the COMEX's comments on the impact study reports filed with the Minister of Sustainable Development, Environment and Parks ("MDDEP") in July and September 2010 for the operation of borrow pits larger than 3 hectares located near a water body.

Responses to questions and comments on the two impact studies on non-standard operation of the selected borrow pits were filed with the MDDEP in late May 2011. The Company has not received any further requests since filing the document.

Next, extensive discussions took place in the second quarter of 2011 among the CNSC, the MDDEP and the Company, primarily regarding the collection of additional base data, the improved environmental monitoring program and an updated risk study incorporating more realistic assumption and an alternative location for the final effluent discharge point.

The Company began updating the eco-toxicological risk study after receiving comments from the CNSC, which had informed the Company in January 2011 that the study in question was based on conservative assumption, and the resulting conclusions would therefore require strict environmental monitoring. It therefore strongly suggested that the study be redone using more realistic scenarios. The amended study, which was filed with the CNSC for review in April 2011, is more in line with the reality of the project.

With regard to the final effluent, the *Centre d'expertise hydrique de Québec* performed a hydrological study at the beginning of March 2011. The purpose of the study was to assess the low flow of a stream located near the Matoush camp to identify a possible alternative to Lake 5 (Lac Matoush) as an effluent discharge point. In fact the MDDEP had strongly advised discharging the final effluent into a stream rather than Lake 5 to promote natural treatment of the water. The Company and its advisor SENES Consultants Limited ("SENES") conducted an in-depth study to confirm the results of the previous study by the *Centre d'expertise hydrique de Québec* and filed it in July 2011 with the CNSC, which deemed the new option acceptable.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The database program was also updated on the basis of the new program designed by the Company and Genivar Inc. (“Genivar”) to address gaps in the data collected to date and takes into account the new final effluent discharge site. This supplementary base data collection program is closely related to the environmental monitoring program, which was therefore also updated and filed with the CNSC for review in last April. Discussions then took place between the CNSC and the Company to clarify certain aspects, and it was finally decided that the two programs met the requirements.

At the request of the CSNC, all the analytical results and relevant information regarding the site baseline, collectively called the base data, will be put into a single document, to facilitate results comparison once environmental monitoring activities commence.

In December 2011, an independent consultant was hired to set up an environmental monitoring program for the aquatic environment downstream from the project. The consultant was recommended by Dr. Monique Dubé, Canada Research Chair in Aquatic Ecosystem Health Diagnosis at the University of Saskatchewan, who has acted as an expert for the Grand Council of the Crees and the Mistissini Environmental Department.

In addition, the tailings facility site selection study by Golder Associates was filed in December 2011. Field work such as boreholes and monitoring well installation at the preferred site should be done in early 2012.

The Company then prepared a preliminary document on the Integrated Management System. This manual is required by the CNSC, and covers quality control, health and safety, and the environment. The system will be implemented by Cegertec Experts-conseils Inc. The contract was granted at the end of December 2011, and the work should begin in the first quarter of 2012.

Finally, the field work done during the year 2011 generated data for interpretation. The current soil background values on the property are now known. The groundwater and hydrogeology characterization study for the site was filed at the end of December 2011. These two reports present the baseline condition of the soil and groundwater on the site.

SITE WORK

The Company opened and maintained the winter road for the fourth consecutive year. Between the time the road was opened on January 22, 2011, and its closure on February 25, 2011, just over a hundred trips were made to bring in the fuel, materials and heavy equipment needed for 2011. These deliveries were made in record time due to ideal cold temperatures with no mild spells. The cold weather set in on January 7 and persisted throughout the period of winter road use.

The equipment brought to the site will eventually be used to complete the landing strip. The equipment required to excavate the exploration ramp portal will also be used once the Company secures the licence for the Matoush project underground exploration program.

A variety of site work was done at the Matoush project site during the second quarter of 2011. The groundwater monitoring programs and soil background level assessment program required by the MDDEP were set up in June 2011. Installation of water monitoring wells and soil sampling work also took place on the property. A first round of groundwater sampling was done in June, and a second in October 2011. Finally, Genivar collected surface water samples in June, with a total of eight water bodies sampled.

The Company performed pumping tests in July and August 2011 under the supervision of Genivar to obtain more data on the hydrogeological characteristics of the site.

Then, in September 2011, the Company ran samplers to obtain air quality data before beginning construction work on the underground decline. The air samplers provide data on the total particulate matter in the air, from which metals and radionuclides will be analysed, along with levels of particulate matter smaller than 10 and 2.5 microns. Air quality monitoring continues according to the schedule proposed by the Exova laboratory.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Genivar also collected fall base data, sampling the aquatic and land vegetation, sediments, benthos, fish and surface water. Base data will be collected throughout the year, through groundwater sampling (twice a year), surface water sampling in six lakes during the ice-free months, and ongoing air sampling (continuous).

No construction work was done on the landing strip during the year. However, the rolling surface was maintained so that manpower and materials could be transported to the site.

The Company applied for a permit for the 2012 winter road in August 2011. A positive response to the winter road exemption request was received from the MDDEP on October 20, and the Company therefore has all the documents it requires for winter road work.

In the interim, the MTQ started clearing work for the extension of Route 167 under the Plan Nord. The Company therefore met with the MTQ to assess the possibility of the Company contributing financially to the Route 167 extension work, for which the MTQ is the general contractor. An agreement on the Company's contribution for maintenance of the winter road to Matoush was signed in mid-January 2012, and this work is carried out by the MTQ.

HEALTH

On February 14, 2011, Health Canada issued a notice on the Matoush underground exploration program's potential impact on human health. The Company is generally satisfied with the report's conclusions, which stipulate that "the project activities are not likely to cause harmful effects to human health in terms of the quality of the air around the project, the additional quantity of radon on and around the site, and non-radiological contamination of traditional food."

The Company nevertheless took the initiative of writing an information supplement to rectify and clarify certain comments made, and to draw Health Canada's attention to key elements of the Matoush underground exploration program that had not been taken into consideration. More specifically, these points relate to the air sampling stations on the property, use of the land and natural resources on and around the property by Native communities, current levels of mercury and uranium in the fish, the environmental monitoring proposed by the Company and, finally, the risk analysis for the underground exploration project. The Company filed this information supplement with COFEX, COMEX and the CNSC on March 10, 2011.

SITE INSPECTION

A site inspection was performed at the Matoush project site in November 2011 by an analyst and an environmental control auditor from the MDDEP. Everything was inspected in great detail, including the fuel depot, waste management, hazardous waste management, garage and remote landfill site. No environmental offences were noted; in fact, the MDDEP underscored the remarkable work done by camp personnel, as well as the Company's pro-environment stance.

After performing the annual site audit, MDDEP members gathered information on the future underground exploration work. This information will be used to prepare the authorization certificate to be issued in the weeks following the filing of the COMEX recommendation and decision report.

COMMUNITY AND INVESTOR COMMUNICATIONS

LOCAL COMMUNITY RELATIONS

In 2011, the Company devoted considerable effort to establishing a process of dialogue and reconciliation with the Cree Nation of Mistissini. Concrete initiatives and measures were introduced to establish a relationship of trust and to allow the development of the underground exploration phase in close collaboration and in a spirit of partnership with the Crees. The communication and information agreement signed in December 2011 by the Company and the Cree Nation of Mistissini is a testament to the progress made during the year.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

First, Company signed a formal agreement with the Cree Mineral Exploration Board (“CMEB”) on January 13, 2011, for the CMEB to set up a communication program to disseminate transparent, reliable and comprehensible information on the Matoush project, and enable the Mistissini Cree community to take an enlightened stand. The Company intends to use this partnership to continue building and strengthening its relations with the Mistissini Cree, to respond appropriately to their concerns and eventually secure their support for the project.

The CMEB has mandated a representative of the Cree Nation of Mistissini, with the support of the Mistissini Chief, Richard Shecapio, to implement the communication program and thus inform the Chief, his Band Council and the Cree Nation of Mistissini, as called for in the agreement between the Company and the CMEB. The Company is financing program implementation and provides support for the technical aspects of the project, but is not directly involved in the mandate itself, which began on March 1, 2011.

As part of the mandate, an important visit was organized to uranium facilities in Saskatchewan in early April for a delegation of members of the Cree Nation of Mistissini, including tallymen and representatives of the trap lines around the Matoush project. This was the first initiative under the agreement between the Company and the CMEB to inform the Cree Nation of Mistissini on uranium-related issues.

The Company then held its annual meeting with the tallymen and representatives of families with trap lines in the vicinity of the Matoush project on April 12, 2011. In all, 24 people attended the meeting, including 10 tallymen. A number of topics were discussed and explained, including the impact on water. The discussions generated by such meetings are of benefit to both the community and the Company, as they help spread the information required for a better understanding of the Matoush project and the uranium industry in general. They also allow Company representatives to take note of and address the concerns of those present. The Company has organized this meeting each year since 2008 in an effort to create and maintain links with the people it sees as being most directly affected by the Matoush project activities. Openness and transparency have always been a priority at these meetings, and appear to be appreciated by the participants.

The Company’s director of community relations made regular visits to Mistissini in 2011 to speak with members of the community. The Company has an office in Mistissini and another in Chibougamau. The many formal and informal meetings held since the Company created this community representative position in January 2010 has led to the exchanges of knowledge and information that are essential if the Matoush project is to evolve in accordance with everyone’s expectations and values. The Company is determined to be more accessible to the Mistissini Crees and residents of Chibougamau/Chapais through an on-site representative. It should be noted that a new director of community relations, Stéphane McKenzie, took office on February 1, 2012, to replace the former director, who had moved on to new challenges. Mr. McKenzie is responsible for the Chibougamau and Mistissini offices, and oversees the Company’s interests in the Nord-du-Québec region.

The Company also met with the Mistissini Chief on two occasions, June 1 and 15, 2011, to re-establish dialogue with the Band Council. While the Chief was not against the project, he did convey the need to better inform the community. These meetings were an opportunity to discuss the possibility of initiating talks on the communication process, setting up a “Mistissini-Strateco” committee for better consultation and collaboration, and appointing a mining project liaison officer on the Band Council.

In order to respond to the expectations expressed by the Chief of the Cree Nation of Mistissini, the Company met with the latter in early August and then again on September 26, 2011, when he was accompanied by several members of the Band Council and the Environmental Department. At the meeting of September 26, the Company representatives presented an update on the Matoush project, and a discussion ensued on various project-related issues. At the end of this meeting, the parties discussed drafting an agreement for a common process for communication and consultation in accordance with the expectations and needs of the Cree Nation of Mistissini and the Company. An initial version of the agreement prepared by the Crees was presented to the Company at the end of October.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The Company also made a presentation on the Matoush project to a representative of the Grand Council of the Crees at a meeting held in Montreal on September 28, 2011. Various project-related issues were discussed, as well as the agreement on the communication process with the Cree Nation of Mistissini.

The Company and the Cree Nation of Mistissini finally reached an agreement at the end of 2011. On December 23, 2011, the Company announced that it had signed a Communication and Information Agreement with the Cree Nation of Mistissini on the communication procedure that will be the cornerstone of the relations between the Company and Cree Nation of Mistissini during the Matoush underground exploration program.

The agreement reflects the desire of the stakeholders to develop and implement a communications strategy that facilitates dialogue, so that the advanced exploration phase of the Matoush project unfolds in close collaboration and a spirit of partnership. The agreement covers a four-year period and is to be reviewed annually.

The agreement provides for various measures to allow relevant and useful information regarding the Matoush project to be communicated, including additional data collected during the advanced exploration phase. These measures include undertakings by the Company and the Cree Nation of Mistissini to create a committee exclusively devoted to dialogue and the exchange of information on the Matoush project. The agreement also covers the creation of the positions of liaison officer and community relations officer, which would be held by Crees. These positions will facilitate the exchange of information with the community of Mistissini and other stakeholders. The agreement also stipulates that the Company, with the collaboration of the Cree Nation of Mistissini, will relocate its local office to the community to make it more accessible.

The agreement also encourages the creation of communication mechanisms to allow for the exchange and dissemination of information, and to promote the understanding of the issues and effects associated with the Matoush project. The Company and the Cree Nation of Mistissini will retain an independent expert to carry out a study on surface and groundwater flow in the Matoush project area, in the direction of Lac Mistassini. The social acceptance of the project is crucial and requires, among other things, that a bond of trust be built between the Company and the Cree Nation of Mistissini.

Finally, while the agreement reflects the Cree Nation of Mistissini's desire for additional information on, among other things, the underground exploration activities, it should not be construed as its support for the construction and operation phases of the Matoush project.

James Bay residents also continue to show great interest in the Matoush project in general and the related job and business opportunities in particular. The Company's director of community relations therefore ensures that the required information is transmitted and that any information that aids a clear understanding of the Matoush project is disclosed. The local presence of a Company representative clearly helps create and maintain close ties with local residents.

Many meetings were also held with the various elected officials and local authorities in 2011, including the James Bay Regional Conference of Elected Representatives ("CREBJ"), the Uranium Committee (James Bay) and the Chibougamau chamber of commerce. All the meetings with local authorities are aimed at disseminating information, answering questions and keeping the various stakeholders abreast of the Matoush project developments.

The Company also participated in various public events aimed at providing information on its activities to the communities and the general public. In particular, the Company participated in: the *Symposium Mines Baie-James*, from May 30 to June 1 in Chibougamau and Mistissini; the *Salon Emploi-Formation Nord-du-Québec*, held on May 6 in Chibougamau; and the educational public show on Mining, Minerals, Metals and Materials, held from May 23 to 25 in Montreal as part of the Canadian Institute of Mining, Metallurgy and Petroleum conference.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The Company also encourages local initiatives to inform the public and make people aware of the issues surrounding uranium exploration and mining. For instance, in January 2011, a Quebec delegation that included regional elected officials participated in the uranium information visit to Saskatchewan organized by the Quebec government. The Company wishes to highlight these types of activities, as they allow the various local communities to become better informed and gain a better understanding of the uranium industry.

Finally, the updating of the Company's website (www.strateco.com) remains essential to ensure that the public has access to current information. In light of the events at the Fukushima nuclear plant in Japan, the Company is determined to transmit the facts about uranium exploration and mining, in order to address the communities' questions and concerns and reassure the public regarding industry practices. The website contains information on the various issues related to the Matoush project and uranium. The Company is also careful to respond promptly to any questions and comments sent to it through the website. The site is another means for discussion with the communities, as well as with investors and the general public. The information contained in the "News to Investors" and "News to Communities" sections, as well as the "Press Releases" section, also enable the public to keep up with the latest developments in the Company's activities.

INVESTOR RELATIONS

Despite a generally unfavourable market for the uranium industry in 2011, the Company continued to accord particular importance to investor relations, and took certain measures to support the Company's development.

First, the board of directors appointed a new director, Paul-Henri Couture, on January 13, 2011, to fill one of the two vacant seats on the Company's board of directors. Mr. Couture is the president of Sentient Asset Management Canada Ltd, a Sentient Group company. He has more than 30 years of experience in finance, investment and natural resources, which is a major asset for the Company's board of directors.

The Company then issued a news release in mid-March announcing to its shareholders that, in their best interest, it had decided to cease its reporting obligations in the United States to substantially reduce the Company's regulatory compliance costs and efforts associated with the requirements of the U.S. Securities and Exchange Commission. The Company therefore filed a Form 15F on March 15, 2011, to terminate its obligation to file quarterly and annual reports, effective June 15, 2011.

The Company's President and Chief Executive Officer, Guy Hébert, kicked off the year with individual meetings and presentations in Paris, London, Zurich and Geneva. He then travelled to New York and Boston in February and to Ottawa and Toronto in March for more presentations. Company representatives also attended the Prospectors and Developers Association of Canada (PDAC) meeting, from March 6 to 9 in 2011 and from March 4 to 7 in 2012.

In April 2011, the Company retained the services of Jason Roy as an investor relations advisor. Mr. Roy has over six years of experience in investor relations and has worked with over 300 public companies in a range of industries. His experience and professional approach should strengthen the Company's position and raise its profile in the financial industry.

In May 2011, the president and chief executive officer pursued his intensive investor relation program, travelling to Calgary, Edmonton and Quebec City for individual meetings and presentations.

The Company also held its annual general meeting of shareholders on June 8, 2011 at the *Fairmont The Queen Elizabeth* Hotel in Montreal, Quebec. Among other things, this resulted in the re-election of seven of eight directors, with Robert Marchand unable to stand for re-election due to professional commitments. The shareholders also renewed the mandate of the external auditor, PricewaterhouseCoopers, LLP/s.r.l./s.e.nc.r.l.

In the third quarter of 2011, from September 13 to 17, the president and chief executive officer of the Company travelled to London to meet with potential partners and investors and to Toronto for institutional meetings and presentations, which are very popular and help promote the Company and its Matoush project.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Finally, in the last quarter of the year, Company representatives attended Québec Exploration 2011 from November 21 to 24, 2011. The president and chief executive officer of the Company also travelled to Toronto on October 3 for institutional meetings.

STRATEGY AND ACTION PLAN

LICENCE

Since the approvals of the federal Minister of the Environment and the Federal Administrator for the underground exploration phase of the Matoush project on February 2, 2012, the Company has concentrated its efforts on obtaining the licence required to start that phase. The CNSC must still hold a public hearing on the technical aspects of the underground exploration program, during which the public will once again have the opportunity to express its views. The CNSC will then render its decision regarding the granting of the licence. The Company is therefore preparing for this public hearing, which is the final step in the licencing process.

COMMUNITY RELATIONS

In terms of community relations, a number of measures and initiatives will be implemented in 2012, as stipulated in the communication and information agreement signed by the Company and the Cree Nation of Mistissini on December 23, 2011. These include the establishment of a joint Strateco-Mistissini committee to promote dialogue and the exchange of information on the Matoush project.

The Cree liaison officer and community relations officer will be appointed soon. Information meetings will also be organized so that the Company can talk with members of the community and present the Matoush project developments.

The Company also announced the appointment of a new director of community relations, Stéphane McKenzie, who took office on February 1, 2012. Mr. McKenzie is responsible for the Chibougamau and Mistissini offices, and oversees the Company's interests in the Nord-du-Québec region.

The Company will take all the measures required to respond to the expectation of local residents. It is determined that that the underground exploration phase of the Matoush project unfold in a spirit of respect and close collaboration with the communities.

EXPLORATION WORK

The 15,000-metre drilling program planned for 2012 started on February 1. The goal of the program is to increase the Matoush project resource and outline an indicated resource within the boundaries of the new zones of inferred resources.

The radon survey done on the Matoush Extension property in 2011 identified new drilling targets outside of the known zones. Drilling will therefore be focused on areas where radon anomalies were detected.

ENGINEERING

On the engineering front, once the Company has received the licence, it will be able to begin the activities associated with the underground exploration project. Calls for tender have already been issued for some of the material required for construction of the surface installations. Some of this material will be transported via the winter road, which will be managed by the MTQ in 2012, as well as by air freight thanks to the Matoush landing strip.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

Construction of the surface infrastructure, including the portal and part of the decline, is therefore planned in 2012. For safety considerations, portal installation and the excavation of the first 30 metres of the ramp should be done first, after which construction of the mine water treatment plant and its ponds can begin. This is an essential step for ongoing ramp development, so that the mine runoff can be treated before being released into the environment. Ramp excavation will continue into 2013. The various other surface facilities will be built as required following portal installation. With the exception of the underground ramp, which will take several months to drive, all the infrastructures should be in place in 2013.

FINANCE / INVESTOR RELATIONS

The Company will pursue its efforts to maintain a strong financial position and maximize investor return. The signature of a communications and information agreement with the Cree Nation of Mistissini, the substantial increase in the resource of the Matoush project and the latest developments in the licencing process will facilitate financing of the final steps in the Matoush project.

With project approval and renewed interest in the uranium sector since the events at Fukushima, the president and chief executive officer plans to step up efforts to publicize the Company with individual and institutional investors.

QUALITY CONTROL AND QUALITY ASSURANCE

The sampling program in effect on the Matoush Project, including all quality assurance and quality control aspects, is under the supervision of M. Jonathan Lafontaine, P. Geo, Chief Geologist at the Company, who acts as a qualified person under *National Instrument 43-101* stipulations. Mr. Lafontaine has supervised the establishment of the information forming the basis of technical information and approved the information. Furthermore, because the Company is proactive when it comes to continuous improvement of its QAQC mechanisms and protocols, it is possible that additional measures not specifically stated in this text are in function.

1. ANALYTICAL EVALUATION OF URANIUM

a. SAMPLING TECHNIQUES

All drill core samples are split using a hydraulic core splitter by trained personnel in a room dedicated to this effect. Drill core is split on-site and sample intervals can vary from 50 centimetres to 1 metre according to their geological characteristics. In certain peculiar geological conditions, samples can be narrowed to 30 centimetres but this is usually discouraged.

Samples are individually bagged and tagged and shipped using well defined protocols, notably those of Transport Canada. The Company also adds certified reference materials sold by CANMET, blanks, and re-splits samples to create quarter-core duplicate with a frequency approaching ten for every batch of 100 samples. The CRMs, blanks, and duplicates are randomly inserted into the sequence of samples being shipped.

While on-site prior to shipping, sealed samples are stored on-site in a secured location. Samples are shipped by aircraft to Chibougamau, from there are sent by messenger to the *Geoanalytical Laboratories of the Saskatchewan Research Council* («SRC») in Saskatoon. This laboratory is accredited by the Canadian Standards Association as a geoanalytical facility under the ISO/CEI 17023 norm.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

b. GEOANALYTICAL METHOD

At their arrival at SRC, samples are grouped into lots as a function of their level of radioactivity; they are then prepared and analyzed in this order. Samples are dried, and crushed until 60% of all particles are less than 2mm. A riffle splitter is used to obtain four sub-samples of 100 to 200 grams. These sub-samples are further pulverized until 90% of particles are reduced to 106 microns using a puck & ring mill. All material is cleaned between samples using steel wool and compressed air.

After sample preparation, the SRC makes several measurements to obtain uranium values. The 4-3R schedule is made by inductively coupled plasma optical emission spectroscopy (ICP-OES) on partial and total digestion aquilots. Optical emission spectroscopy is an analytical method capable of determining virtually all periodical elements at once. It is essentially a destructive method utilizing a relatively small mass of the sample to determine several elements from major oxides to trace elements (from several dozen % to a few ppm).

For samples with uranium values under 100 ppm, an additional fluorimetric partial digestion improves analytical accuracy. For samples with uranium values greater than 1000 ppm, an aqua regia digestion is completed for a U_3O_8 assay with an ICP finish.

c. DATA RECEPTION

Analytical results are received by email through an encrypted file. Data is imported automatically with no human intervention. Laboratory standards and laboratory duplicates are verified, as are our internal CRMs, blanks and duplicates. A suite of digital tools allows us to determine any possible analytical error. Analytical drift from expected results confirmed by our QAQC procedures triggers a batch re-analysis.

2. DOWN HOLE URANIUM ESTIMATES

On top of analytical assays for uranium, the Company uses a down hole logging tool to measure radioactivity in the drill rod string to estimate uranium values. Before the down-hole logging, the completed drill hole is washed with the rod string in place to eliminate any traces of mineralization that may have accidentally contaminated the rod string and flush out any traces of radon. Results, usually expressed as counts per second.

Counts per second, usually abbreviated to “cps”, are a measure of radioactivity. The more gamma-ray emitting radioactive material is present in a source, the higher the cps value. This relationship is not linear in the sense that if a source measured to be 5000 cps is approximately equivalent to 1% U_3O_8 , it cannot be said that a 25,000 cps source is equivalent to 5% U_3O_8 . But it does indicate that there is more radioactive material in the source emitting 25,000 cps than in the source emitting 5,000 cps.

Consequently, cps is a broad indication or estimate of the potential grade. While this is not always the case for various radioactive sources, drill core lends itself well to this comparison, because of its uniform size and shape.

Cps are converted to eU_3O_8 (**equivalent U_3O_8**) using generally accepted algorithms specifically calibrated for the Matoush project. This approach allows the Company to adjust its drilling activities as needed. The correlation between cps and grade is typically harder to constrain between grab samples and outcrops due to variable size and shape of the source. However, because the logging tool can be swept at a constant speed in a drill rod string after a drill hole is completed, the perfectly consistent geometry does allow a good interpretation of the uranium values.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The « e » in « eU₃O₈ » represents the **estimated** or **equivalent** U₃O₈ determined through a spectral or gamma ray detector. The “e” indicates that the value is not analytical through drill core sampling, but rather a conversion of in-situ radioactivity taking into account that radioactivity is entirely attributable to the presence of uranium in the rock. The Company is able to demonstrate with conviction that its mineralized intersections contain quantities of other radioactive elements (e.g.: thorium and potassium), that skewer results. Isotopic analyses completed by the company also indicate beyond reasonable doubt that, akin to most uranium deposits older than 0.35 million years, uranium is in secular equilibrium, i.e. that the rate of production of daughter isotopes is in equilibrium with the rate of disintegration of uranium isotopes.

In-situ down hole logging estimates are common place in the uranium exploration and mining industry.

Although a note could be attached to U₃O₈ values indicated their source, the Company prefers using, where needed, the eU₃O₈ notation for added clarity and as per the guidelines offered by the Canadian Institute of Mining (“CIM”): « Equivalent Assay: Determination of uranium content by radiometric methods ». The validity of Equivalent Assays must be demonstrated with chemical assay determinations. Where employed, equivalent uranium determinations should be reported and appropriately illustrated in the database (e.g. eU₃O₈).

From: <http://www.cim.org/committees/estimation2003.pdf> page 48 of 55 pages.

3. DOWN HOLE PROBING METHODOLOGY

Each drill hole is measured from collar to end of hole, except for a single or double core barrel length and the length of a drill rod with is pulled to prevent the entire drill rod string from getting stuck. The down hole probing is completed by a trained technician employed by the Company after flushing the drill hole for one hour to eliminated any contamination by trace mineralization or radon.

Two types of down hole probes can be used. The first is a *Mount Sopris 2MGA natural gamma instrument (2MGA)* equipped with a sodium iodine detector and the second is a *Mount Sopris 2GHF triple gamma instrument (2GHF)* equipped with two Geiger-Müller detectors for high values and one sodium iodine detector.

The Company also monitors several factors that may affect measurements such as cable stretch and slip during down hole probing. These two factors may generate as much as 1% (which means that there may as much as 1 cm offset with every metre probed). Stretch and slip are most likely due to the slight untwisting and twisting of cable as it descends down the drill hole and minor slip of the cable on the pulley that estimates length of cable winding into the drill hole. Stretch and slip factors are usually negligible, however, especially for drill holes shallower than 100m.

4. METHOD USED TO CONVERT DOWN HOLE PROBING RESULTS INTO EQUIVALENT URANIUM VALUES

Although each detector has a subtly nuanced algorithm, the basic principle remains the same for all tools. Once a simple correction is applied to compensate for the distribution of detectors in the instrument, the thickness of the steel casing and the presence of water in the rod string, data is massaged with a depth-centered 70 centimetre moving average. This correction removes spurious readings and narrow peaks that are unrepresentative of the uranium grade.

Excel macros use a 3rd degree polynomial formula for sodium iodine detectors and a 2nd degree polynomial formula for Geiger-Müller detectors to assign grade to a specific cps value for each measurement. Polynomial values are determined through controlled experimentation using a calibration drill hole with known analytical results. After that, the calibrated polynomial curve is acceptable until a maximum grade is encountered on the calibration curve. Thus, a multitude of cps values have a known associated uranium grade and a calibrated curve can be measured. If a cps value is encountered on the property that exceeds the maximum cps of the calibrated curve, the curve is considered invalid and the Company waits for analytical assays to recalculate the calibrated curve.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

5. DOWN HOLE RADIOMETRIC DATA VERIFICATION

A calibration drill hole, MT-07-29, on which the Company has conducted complete analytical assays is probed at least one per month to ensure that there is no instrument drift and that the instrumentation works correctly.

Furthermore, before and after each drill hole is probed, the geotechnical ensures the proper functioning of the probe with a chip.

In order to ensure that the gamma probe was functioning properly and results were representative, the Company brought a specialist in calibration of spectral (gamma) probes in from Denver, Colorado. Consequently, probe methods and the algorithms used to convert cps values to eU_3O_8 were reviewed and checked by an independent consultant, Dr. Robert D. Wilson, a nuclear analysis and instrumentation specialist. Dr. Wilson concluded that the procedural methods were valid and the protocols were appropriate for the remote environment in which the instruments were being used (Wilson, 2008).

6. RECONCILIATION BETWEEN ANALYTICAL AND RADIOMETRIC URANIUM GRADES

The Company considers the analytical values to be the most reliable data. However, logging data is used instead of analytical results if such results are not available due to missing core or analytical delays. The readings are also compared to the chemical analyses once these are received.

Logging data is compared to the geochemical grades once the sampling results are returned by the SRC. A natural variation of 5% to 10% may occur between the data sets, though generally variations tend to be less than 5%. It should also be noted that higher grade estimates tend to be more precise than lower grade estimates.

7. OTHER PROTOCOLS IN PLACE TO ENSURE QUALITY ASSURANCE AND CONTROL

Other implemented systems are in place to ensure proper quality assurance and control is achieved and enhanced through all aspects of the on-site operations. Chief among these are the density measurements as well as the radiometric measurements made on drill core. All these programs have in common the following points:

- A follow-up on calibration values;
- A manufacturer calibration following industry guidelines;
- An effort to minimize the number of variables associated to a measurement;
- An appropriate training, and
- An innovation and continuous improvement.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

EXPLORATION AND EVALUATION EXPENSES AND EXPLORATION SUPPLIES

Exploration and evaluation expenses and exploration supplies for the year ended December 31, 2011	Matoush	Matoush Extension	Eclat	Apple	Pacific Bay-Matoush	Mistassini	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	43,803,382	494,879	4,361,338	794,240	1,237,034	572,272	51,263,145
Additions							
Consultants and subcontractors	1,607,043	29,660	38,057	1,627	78,421	49,357	1,804,165
Maintenance of infrastructure, access roads, fuel depot and others	3,805,472	-	-	-	-	-	3,805,472
Drilling	3,413,899	4,828	4,068	-	847,965	461,987	4,732,747
Geophysics	41,711	-	101	-	-	35,622	77,434
Transport and fuel	749,957	-	-	-	-	-	749,957
First aid	426,860	-	-	-	-	-	426,860
Laboratory and analysis	200,884	-	-	-	-	-	200,884
Travel and lodging	262,676	-	-	-	36,675	25,100	324,451
Canadian Nuclear Safety Commission costs	428,004	-	-	-	-	-	428,004
Management fees	506,398	285	195	154	60,321	42,247	609,600
Supplies and equipment rental	531,450	-	-	-	-	-	531,450
Rolling equipment maintenance	22,591	-	-	-	-	-	22,591
General expenses	760,594	4,629	945	1,544	2,909	2,653	773,274
Environment	535,748	-	-	-	-	-	535,748
Stock-based compensation	139,502	-	-	-	-	-	139,502
Depreciation of property and equipment	2,582,121	-	-	48,498	-	-	2,630,619
	16,014,910	39,402	43,366	51,823	1,026,291	616,966	17,792,758
Refundable credit for resources related for exploration expenses	(4,505,859)	(15,268)	(16,804)	(1,070)	(397,688)	(239,074)	(5,175,763)
Impairment	-	-	-	(844,993)	-	-	(844,993)
Net increase	11,509,051	24,134	26,562	(794,240)	628,603	377,892	11,772,002
Balance, end of period	55,312,433	519,013	4,387,900	-	1,865,637	950,164	63,035,147

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

EXPLORATION AND EVALUATION EXPENSES AND EXPLORATION SUPPLIES

Exploration and evaluation expenses and exploration supplies for the year ended December 31, 2010	Matoush		Eclat	Apple	Pacific Bay-		Total
	Matoush	Extension			Matoush	Mistassini	
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	35,728,760	471,425	1,113,569	1,558,564	923,867	555,156	40,351,341
Additions							
Consultants and subcontractors	2,543,748	35,918	851,735	17,521	118,940	2,167	3,570,029
Maintenance of infrastructure, access roads, fuel depot and others	2,050,071	-	-	373	-	-	2,050,444
Drilling	1,805,369	-	2,831,105	-	208,278	-	4,844,752
Geophysics	58,623	2,156	2,240	-	56,946	-	119,965
Transport and fuel	1,913,713	-	689,871	-	17,297	-	2,620,881
First aids	173,218	-	-	-	-	-	173,218
Laboratory and analysis	107,583	-	250,398	-	14,612	19,352	391,945
Travel and lodging	793,377	-	368,000	-	81,822	-	1,243,199
Canadian Nuclear Safety Commission costs	262,587	-	-	-	-	-	262,587
Management fees	510,128	216	309,131	560	27,984	359	848,378
Supplies and equipment rental	285,303	-	-	-	1,451	-	286,754
Rolling equipment maintenance	50,237	-	-	-	-	-	50,237
General expenses	372,259	-	-	1,800	-	-	374,059
Environment	318,306	-	-	-	-	-	318,306
Stock-based compensation	216,186	-	-	-	-	-	216,186
Depreciation of property and equipment	1,288,916	-	-	52,121	-	-	1,341,037
	12,749,624	38,290	5,302,480	72,375	527,330	21,878	18,711,977
Refundable credit for resources related for exploration expenses	(4,675,002)	(14,836)	(2,054,711)	(7,848)	(214,163)	(4,762)	(6,971,322)
Impairment	-	-	-	(828,851)	-	-	(828,851)
Net increase	8,074,622	23,454	3,247,769	(764,324)	313,167	17,116	10,911,804
Balance, end of period	43,803,382	494,879	4,361,338	794,240	1,237,034	572,272	51,263,145

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

Years ended December 31:

	2011	2010	2009 (i)
	\$	\$	\$
Finance income	92,799	43,203	54,046
Expenses			
Consultants and professional fees, communications and office expenses	(2,563,376)	(2,122,044)	(1,503,859)
Stock-based compensation	(241,727)	(405,423)	(543,199)
Accretion expense on convertible notes, asset retirement obligations and loans payable	(1,800,234)	(1,151,699)	-
Depreciation of property and equipment	(42,921)	(38,702)	(19,145)
Interest and bank charges	(332,016)	(63,582)	(6,117)
Impairment of mining properties, deferred exploration and evaluation expenditures and property and equipment	(3,967,706)	(4,078,851)	-
Other than temporary impairment on available-for-sale investment	(250,000)	-	-
Income tax (expense) recovery	(1,215,432)	2,152,737	525,000
Net loss	(10,320,613)	(5,664,361)	(1,493,274)
Net loss per share, basic and diluted	(0.07)	(0.05)	(0.01)

(i) prepared according to Canadian GAAP

As at:

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Total assets	86,497,662	93,013,791	62,942,632
Long term liabilities			
Obligations under finance leases	30,874	45,003	171,522
Convertible notes	7,073,607	5,588,713	-
	7,104,481	5,633,716	171,522

RESULTS OF OPERATION

The net losses for the year ended December 31, 2011, increased for the following reasons:

The interest income is higher in 2011 than in 2010 since the interests of \$26,000 were received on the repayment of tax credits relating to resources in 2010 and also due to continued higher bank balance in 2011.

The increase in consultant and professionals fees, communications and office expenses for the year ended December 31, 2011 resulted from an increased level of activity, requiring more management services, as well as additional professional fees. In addition, a contribution to the association Minalliance of \$75,000 was made in 2011.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The 2011 stock-based compensation expenses is based mainly on the fact that the Company granted 1,129,500 stock options while in 2010, it granted 1,302,000 stock options at a higher weighted-average fair value than in 2011.

The accretion expense increased because the accretion expense on convertible notes was calculated on the entire year of 2011, on asset retirement obligations had been established mainly in the fourth quarter of 2010 as well as due to the loan payable to SIDEX borrowed in November 2010. These expenses had no impact on the Company's cash flow for the period.

The increase in interest expenses arose from the fact that existing loans were payable for the entire year of 2011 whereas in 2010, they were only payable for a one-month period.

Accordance with its accounting, the Company reviewed the recoverable amount of its mining properties at December 31, 2011 and 2010. Based on this analysis, the Apple property, the cost of the deferred exploration and evaluation and property and equipment have been impaired in 2011 of \$3,046,053, \$844,993 and \$76,660 respectively (\$3,100,000, \$828 851 and \$150,000 in 2010).

In addition, an amount of \$250,000 was recorded in 2011 as other than temporary impairment on available-for-sale investment the shares held in Pacific Bay.

The income tax expense for the year ended December 31, 2011 versus the income tax recovery in 2010 was largely due to an increase from 12% to 16% in the tax rate used to calculate future mining duties, which had a considerable impact on the deferred income tax expense. In addition, deferred exploration and evaluation costs having been waived are higher for the year ended December 31, 2011.

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 and evaluation 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.

CASH ASSETS AND SOURCES OF FINANCING

The Company's working capital stood at \$5,570,003 at December 31, 2011 (\$17,545,829 at December 31, 2010), including cash and cash equivalents of \$3,858,141 of which \$854 was reserved for exploration and evaluation (\$15,057,929 at December 31, 2010). This working capital includes \$5,000,736 in tax credits receivable at December 31, 2011 (\$8,149,396 at December 31, 2010). Moreover, despite the closure of two private placements on February 29, 2012 for gross proceeds of \$12,999,988, the Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through 2012. Any funding shortfall may be met in the future in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, or that these sources of funding or initiatives will be available to the Company or will be available on terms acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements.

The Company's operating activities utilized \$1,546,528 in the year ended December 31, 2011 (\$1,982,654 for the same period in 2010). The decrease in cash flow used resulted from a marked improvement in non-cash working capital items, despite an increase in the operating expenses discussed in the "Results of Operation" section of this MD&A.

The Company's investing activities consist primarily of exploration and evaluation work, the addition of mining properties as detailed in the table on page 24 and the acquisition of property and equipment.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

The Company is entitled to a refundable tax credits for resources for up to 38.75% of qualifying expenditures, and a credit on mining duties refundable for losses of 15% of 50% of qualifying expenditures incurred (16% in 2012) using non-tax-renounced flow-through funds.

In terms of the credit on mining duties refundable for losses, the Company has disclosed the uncertainty and its stand on the recovery and measurement of amounts for the credit on mining duties refundable for losses in Note 4 to the audited financial statements as at December 31, 2011, CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS: Uncertain Tax Positions.

The tax credits relating to resources in 2010 were received during the fourth quarter of 2011 and the loan of \$4,000,000 from SIDEX and interest incurred on these tax credits have been paid in full. In the fourth quarter of 2011, the Company obtained a short-term financing of \$3,000,000 from SIDEX secured by tax credits related to resources in 2011. During the year ended December 31, 2011, the Company received \$6,722,670 in tax credits relating to resources (\$5,752,049 in 2010).

The Company's financing activities also include the issuance of common flow-through shares under a \$3,500,100 non-brokered private placement in the second quarter of 2011, net costs of \$245,915.

The Company does not have any investments in asset-backed commercial paper.

QUARTERLY FINANCIAL INFORMATION

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

	Dec. 31 2011 (iv)	Sept. 30 2011	June 30 2011 (iii)	March 31 2011	Dec. 31 2010 (ii)	Sept. 30 2010	June 30 2010	March 31 2010 (i)
	\$	\$	\$	\$	\$	\$	\$	\$
Total income	35,651	9,525	12,692	34,931	20,157	5,206	7,462	10,378
Net profit (loss)	(5,090,768)	(741,366)	(2,724,386)	(1,764,093)	(5,214,806)	(680,481)	(685,236)	916,162
Net profit (loss), per share, basic and diluted	(0.035)	(0.005)	(0.017)	(0.013)	(0.042)	(0.006)	(0.006)	0.007

- (i) net income resulted primarily from deferred income tax recovery due to the recognition of previously unrecognized temporary differences.
- (ii) The net loss results from an impairment charge of approximately \$4,100,000 for the Apple property and related deferred exploration and evaluation expenditures and property and equipment.
- (iii) The net loss is mainly due to income tax expense is largely attributable to an increase of 12% to 16% rate for the calculation of future mining rights which had a considerable impact on the amount of the charge of deferred taxes.
- (iv) The net loss result from the impairment charge of approximately \$4,000,000 for the Apple property and related deferred exploration and evaluation expenditures and property and equipment.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

FOURTH QUARTER

	2011	2010
	\$	\$
Interest Income	35,651	20,157
Expenses		
Consultants and professional fees, communications and office expenses	(610,078)	(596,190)
Stock-based compensation	(4,356)	(24,077)
Accretion expense on notes payable, convertible notes and asset retirement obligations	(490,333)	(352,501)
Amortization of property and equipment	(8,911)	(11,081)
Interest and bank charges	(74,947)	(37,245)
Impairment of mining properties, deferred exploration and evaluation expenditures and property and equipment	(3,967,706)	(4,078,851)
Other than temporary impairment on available-for-sale investment	(250,000)	-
Income tax recovery (expense)	279,912	(135,018)
Net income (loss)	(5,090,768)	(5,214,806)
Net income (loss) per share, basic and diluted	(0.035)	(0.042)

The loss for the quarter ended December 31, 2011 was slightly lower than the same period last year as a result of:

- The impairment charge slightly lower of \$110,000 in 2011 mining properties, deferred exploration and evaluation expenditures and property and equipment relating to the Apple property;
- An increase in accretion expense of \$140,000 related to the convertible notes and loans payable that were present throughout the year 2011;
- The other than temporary impairment on financial assets available-for-sale investment of \$250,000;
- The decrease in income tax expense on the results of \$415,000 mainly due to deferred income taxes.

The significant items affecting cash flow in the fourth quarter were the receipt of the \$3,000,000 SIDEX loan, the receipt of \$6,722,670 of tax credits and the repayment of the \$4,000,000 SIDEX loan.

CONTRACTUAL OBLIGATIONS AT DECEMBER 2011

Contractual Obligations	Payments due by period			
	Less than 1 year	to 3 years	4 – 5 years	After 5 years
Total exercise	\$	\$	\$	\$
Convertible notes	-	-	14,905,000	-
Loans payable	3,241,315	-	-	-
Obligations under finance leases	17,592	33,718	-	-
Operating leases	138,611	11,386	-	-
Total contractual obligations	3,397,518	45,104	14,905,000	-

OFF-BALANCE-SHEET ARRANGEMENTS

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

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

RELATED-PARTY TRANSACTIONS

The Company has renewed a service agreement, on a monthly basis and effective August 1, 2011, with BBH Géo-Management Inc. (“BBH”), a related company that has an officer and director, Guy Hébert, who is also an officer and director of the Company. The agreement provides for BBH to render management services to the Company, including exploration and evaluation work.

Costs and expenses billed by BBH to the Company include the following:

- Use of BBH’s offices and equipment for a monthly charge of \$5,200 to be reviewed each year on July 31;
- Management fees of 5% on all costs related to exploration and evaluation programs and purchases related to the Matoush property;
- Management fees of 10% on all costs related to exploration and evaluation programs on the other properties: Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties, and of 5% on all purchases related to exploration projects and option or joint venture agreements on the Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties;
- Management, administration, accounting and legal services;
- Consulting services, including geology;
- Shareholder relations and other services;
- Identification of sources of financing.

The Company’s Board of Directors approved the BBH service agreement without Mr. Hébert being present. The fees paid by the Company to BBH for the services of BBH’s personnel are equivalent to what the Company would otherwise pay to a third party in the industry.

The Company concluded the following transactions with BBH:

	2011	2010
	\$	\$
Capitalized exploration and evaluation expenditures in deferred exploration and evaluation expenditures		
Consultants and subcontractors	3,318,000	3,695,000
Management fees	620,000	848,378
In the statement of income		
Consulting and professional fees	1,157,000	917,000
Office expenses	66,000	62,000
Management fees charged against property and equipment	62,000	328,841
Share issue costs recorded as a reduction of share capital	-	38,000

At December 31, 2011, accounts payable and accrued liabilities included an amount of \$158,000 (\$540,000 at December 31, 2010) owed to related parties. These transactions occurred in the normal course of business and were measured at the exchange amount which represents the amount of consideration established and agreed to by the related parties. The invoices of BBH are due upon receipt.

STOCK OPTIONS PLAN

The stock options plan was designed to enable the Company to use shares as a means of retaining, motivating and compensating beneficiaries for their efforts they invest in achieving the Company’s goals.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND TRANSITION TO IFRS

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Company's critical accounting policies, estimates, judgments, assumptions and transition to IFRS in the financial statements as at December 31, 2011, Notes 1, 2, 3, 4 and 5.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were no changes in accounting policies applied by the Company for each quarter of 2011 compared to annual financial statements for the year ended December 31, 2011.

OUTSTANDING SHARE DATA

	March 21, 2012
	Number
Common shares	167,203,730
Stock options	5,084,500
Warrants	18,099,024
	190,387,254

FINANCIAL INSTRUMENTS

FINANCIAL RISK FACTORS

The Company is exposed to various financial risks resulting from both its activities and investments. The Management Company manages the financial risks. The Company does not use transactions in financial instruments, including derivative financial instruments for speculative purposes. Exposure of the Company to key financial risks and financial policies in this area are described in the annual financial statements of December 31, 2011 in Note 19.

RISK AND UNCERTAINTIES

GOING CONCERN RISK

The Company and its mineral exploration and evaluation programs are at an early stage and the Company has no source of income. The Company relies upon its ability to secure significant additional financing to meet the minimum capital required to successfully complete the project and continue as a going concern. While the Company has been successful at raising funds through equity offerings, convertible notes and loans payable in the past, there is no assurance that it will be able to do so in the future nor that adequate financing will be available to the Company or that the terms of such financing will be favourable. Should the Company not be able to obtain such financing, its ability to pursue its exploration and evaluation program and retain its mineral properties could be impaired.

OPERATIONAL RISKS FACING EXPLORATION AND EVALUATION MINING PROJECTS

The Company is at an exploration stage. Exploration and mining activities are subject to a high level of risk. Few exploration properties reach the production stage. Unusual or unexpected formations, fires, power failures, labour conflicts, floods, rockbursts, subsidence, landslides and the inability to locate the appropriate or adequate manpower, machinery or equipment are all risks associated with mining activities and the execution of exploration programs. Failure to address these risks may reduce the profitability of the operation or altogether prevent the property from being developed.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

RESOURCE DEVELOPMENT RISKS

The development of resource properties is subject to many factors, including the cost of mining, variations in the material mined, fluctuations in the commodities and exchange markets, the cost of processing equipment and other factors such as aboriginal claims, government regulations including, in particular, regulations on royalties, authorized production, importation and exportation of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. Failure to address these risks may reduce the profitability of the operation or altogether prevent the property from being developed.

EXPLORATION (GEOLOGICAL) RISK

The probability of an individual prospect ever having reserves that meet the requirements of *National Instrument 43-101, Standards of Disclosure for Mineral Projects* is extremely remote. Most exploration and evaluation projects do not result in the discovery of ore. In all probabilities, the majority of the properties do not contain any reserves and any funds spent on exploration and evaluation will probably be lost.

COMMODITY RISK

The market for uranium, like any other mineral, can be affected by factors beyond the Company's control. Commodity prices have fluctuated widely, particularly in recent years. The impact of these factors cannot be accurately predicted, however low uranium commodity prices may reduce the profitability of the operation or altogether prevent a property from being developed.

RISK UNTIL REGISTRATION OF TITLES ON PROPERTIES

Although Management has taken steps to verify title to mining properties in which the Company has an option to acquire an interest, in accordance with industry standards for the current stage of exploration of such properties, options to acquire interests and interests in properties may be subject to unregistered prior agreements and be non-compliant with regulatory requirements until interests in mining claims and titles are registered in Québec, Canada in the name of the Company and may jeopardize the Company's option to acquire an interest in the property.

ENVIRONMENTAL AND OTHER REGULATIONS

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Company or its ability to develop its properties economically. Before a property can enter into production, the Company must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained 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.

OPTIONS AND JOINT-VENTURE AGREEMENTS

The Company enters into Option and Joint Venture Agreements in which 1) other parties may have interests in the same claims but for minerals other than uranium; or 2) in which the Company must obtain consent from the parties to obtain the priority for the Company to explore and produce uranium for the duration of the Option and Joint Venture Agreement; or 3) in which the royalties must sometimes be paid not by the Company but by the other party to a third party pursuant to a previous engagement with the other party to the Agreement; or 4) in which another party may manage the Option or the Joint Venture or 5) in which the Company's interest may be diluted if the Company fails to incur exploration expenditures. If the Company fails to pay the sums due or fail to issue the securities pursuant to the terms of the agreements, the option to acquire an interest or the interest in a property could be abandoned or lost and all sums invested by the Company in these claims could be lost.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

FINANCING AND DEVELOPMENT

The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration, evaluation 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. The inability to attract sufficient financing and or experienced personnel may negatively affect the profitability or the viability of a project. Future financing may take a variety of forms, the nature and conditions of which cannot be reliably predicted. Debt financing may include restrictive covenants. Equity issuances may have a dilutive effect on current shareholders. Management is continually working to secure the necessary financing needed to achieve the objectives of Company.

PERSONNEL RISK

The Company has limited experience in developing a resource property, and its ability to do so will depend on the use of experienced people or in the signature of agreements with major resource companies that can produce such expertise.

INFORMATION DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Chief Financial Officer have designed or supervised the design of disclosure controls and procedures to provide reasonable assurance that the material information relating to the Company is made known to them, particularly during the period in which the interim and annual documents are prepared.

Company Management, including the President and Chief Executive Officer and the Chief Financial Officer, participated in an assessment of the effectiveness of information disclosure controls and procedures for the year ended December 31, 2011. Based on this assessment, the President and Chief Financial Officers have concluded that such controls and procedures were effective and provided reasonable assurance that material information on the Company was adequately disclosed to them by other Company personnel.

EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management maintains a system of internal control over financial reporting 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. They have also designed or had designed internal controls over financial reporting to provide reasonable assurance that financial reporting is reliable and that the financial statements are designed to report financial information in accordance with IFRS.

There were no important changes in the internal control over financial reporting during the three-month period ended December 31, 2011, that had or could reasonably be expected to materially affect the internal control over financial reporting ("ICFR").

The President and Chief Executive Officer and the Chief Financial Officer periodically evaluated or supervised under their supervision the design and operating effectiveness of the Company's ICFR. At the end of the exercise on December 31, 2011, these officers concluded that the ICFR was effective.

STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This management discussion and analysis is dated March 21, 2012, and complies with Canadian Securities Administrators' *National Instrument 51-102* 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 other reports filed on the Strateco (www.stratecoinc.com), and SEDAR (www.sedar.com) websites).

(signed) Guy Hébert

(signed) Yvon Robert

Guy Hébert
President and Chief Executive Officer

Yvon Robert
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 International Financial Reporting Standards 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, review and approval of the financial statements.

The Audit Committee is appointed by the Board of Directors. All its members are independent directors. The Audit 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.

PricewaterhouseCoopers, LLP/s.r.l./s.e.n.c.r.l., 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, 2011 and 2010.

(Signed) Guy Hébert

(Signed) Yvon Robert

Guy Hébert
President and Chief Executive Officer

Yvon Robert
Vice President Finance

Boucherville, Canada
March 21, 2012



March 21, 2012

Independent Auditor's Report

To the Shareholders of Strateco Resources Inc.

We have audited the accompanying financial statements of Strateco Resources Inc., which comprise the statements of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the statements of income (loss), comprehensive income (loss), cash flows and changes in equity for the years ended December 31, 2011 and 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., Chartered Accountants
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: 514 205 5000, F: 514 876 1502, www.pwc.com/ca*

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strateco Resources Inc. as at December 31, 2011 and 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast substantial doubt about Strateco Resources Inc's ability to continue as a going concern.

PricewaterhouseCoopers LLP¹

¹ Chartered accountant auditor permit no. 20910

STRATECO RESOURCES INC.**Statements of Financial Position**

(in Canadian dollars)

	As at December 31, 2011	As at December 31, 2010 (Note 5)	As at January 1, 2010 (Note 5)
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents (Notes 1 and 6)	3,858,141	15,057,929	2,794,325
Tax credits receivable (Note 7)	5,000,736	8,149,396	9,306,880
Sales tax receivable	384,138	791,607	334,951
Prepaid expenses and other receivables	414,047	370,761	287,348
	9,657,062	24,369,693	12,723,504
Non-current assets			
Non-current portion of tax credits receivable (Note 7)	2,784,993	1,935,799	-
Available-for-sale investment	40,000	135,000	45,000
Mining properties (Note 9)	2,307,660	5,132,913	8,018,366
Deferred exploration and evaluation expenditures (Note 9)	63,035,147	51,263,145	40,351,341
Property and equipment (Note 10)	8,672,800	10,177,241	1,804,421
Total asset	86,497,662	93,013,791	62,942,632
LIABILITIES			
Current liabilities			
Accounts payable and accrued charges	1,192,923	2,907,777	1,697,302
Loans payable (Note 11)	2,880,007	3,775,843	-
Current portion of obligations under finance leases (Note 12)	14,129	275,244	156,814
	4,087,059	6,958,864	1,854,116
Non-current liabilities			
Obligations under finance leases (Note 12)	30,874	45,003	171,522
Convertible notes (Note 11)	7,073,607	5,588,713	-
Deferred income tax liabilities (Note 17)	8,652,187	5,911,466	4,346,770
Other liability	-	421,057	490,348
Asset retirement obligations (Note 13)	1,994,709	1,925,397	209,755
Total liabilities	21,838,436	20,850,500	7,072,511
EQUITY			
Share capital (Note 14)	72,285,878	69,827,133	56,882,068
Equity component of convertible notes (Note 11)	4,933,323	4,933,323	-
Warrants (Note 14)	3,442,107	3,383,533	-
Contributed surplus	9,766,175	9,419,946	8,814,337
Accumulated other comprehensive loss	(10,000)	(165,000)	(255,000)
Deficit	(25,758,257)	(15,235,644)	(9,571,284)
Total equity	64,659,226	72,163,291	55,870,121
Total liability and equity	86,497,662	93,013,791	62,942,632

Going concern (Note 1)

Commitments (Note 22)

Subsequent events at the closing date (Note 23)

The accompanying notes are an integral part of these financial statements.

STRATECO RESOURCES INC.

Statements of Income (Loss)

For the years ended December 31, 2011 and 2010
(in Canadian dollars)

	2011	2010
	\$	(Note 5) \$
EXPENSES		
Consulting and professional fees	1,634,477	1,283,995
Stock-based compensation	241,727	405,423
Communication and promotion expenses	711,425	591,828
Office expenses	217,474	246,221
Depreciation of property and equipment	42,921	38,702
Impairment of mining properties, deferred exploration and evaluation expenditures and property and equipment	3,967,706	4,078,851
Operating loss	(6,815,730)	(6,645,020)
Finance income	(92,799)	(43,203)
Finance costs		
Accretion expense on convertible notes	1,484,894	1,097,099
Accretion expense on asset retirement obligations	88,602	33,684
Accretion expense on loans payable	226,738	20,916
Interest and bank charges	314,265	36,730
Interest on obligations under finance leases	17,751	26,852
Other gains and losses		
Other than temporary impairment on available-for-sale investment	250,000	-
Loss before income tax	(9,105,181)	(7,817,098)
Current income tax expense (recovery)	25,927	(710,994)
Deferred income tax expense (recovery)	1,189,505	(1,441,743)
Income tax expense (recovery)	1,215,432	(2,152,737)
NET LOSS	(10,320,613)	(5,664,361)
NET LOSS PER SHARE, BASIC AND DILUTED	(0.07)	(0.05)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	142,596	123,019

The accompanying notes are an integral part of these financial statements.

STRATECO RESOURCES INC.
Statements of Comprehensive Income (Loss)
For the years ended December 31, 2011 and 2010
(in Canadian dollars)

	2011	2010
		(Note 5)
	\$	\$
Net loss	(10,320,613)	(5,664,361)
Other comprehensive income (loss)		
Changes in fair value of available-for-sale investment	(95,000)	90,000
Reclassification of other than temporary impairment on available-for-sale investment to statement of income (loss)	250,000	-
Other comprehensive income (loss)	155,000	90,000
COMPREHENSIVE INCOME (LOSS)	(10,165,613)	(5,574,361)

The accompanying notes are an integral part of these financial statements.

STRATECO RESOURCES INC.

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

	2011	2010
	\$	\$
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Net loss	(10,320,613)	(5,664,361)
Non-cash items:		
Stock-based compensation	241,727	405,423
Accretion expenses	1,800,234	1,137,832
Depreciation of property and equipment	42,921	38,702
Impairment of mining properties, deferred exploration and evaluation expenditures and property and equipment	3,967,706	4,078,851
Other than temporary impairment on available-for-sale investment	250,000	-
Warrants included in financing costs	-	13,864
Deferred income tax expense (recovery)	1,189,505	(1,441,743)
	(2,828,520)	(1,431,432)
Changes in non-cash working capital items		
Tax credit receivable	752,559	440,958
Sales tax recoverable	407,469	(456,656)
Prepaid expenses and other receivables	(43,286)	(83,413)
Accounts payable and accrued charges	165,250	(452,111)
	1,281,992	(551,222)
Cash flow from in operating activities	(1,546,528)	(1,982,654)
INVESTING ACTIVITIES		
Tax credit received	6,722,670	5,752,049
Acquisition of mining properties	(193,080)	(184,447)
Increase in deferred exploration and evaluation expenditures	(16,728,362)	(15,987,005)
Additions to property and equipment	(1,175,015)	(7,712,480)
Cash flow from investing activities	(11,373,787)	(18,131,883)
FINANCING ACTIVITIES		
Share capital, convertible notes and warrants issuance	3,500,100	29,494,493
Issue costs	(510,329)	(833,665)
Exercise of stock options	70,000	80,000
Loans payable, net of financing costs (Note 11)	2,936,000	6,416,000
Payments on obligations under finance leases	(275,244)	(278,687)
Repayment of a loan payable (Note 11)	(4,000,000)	(2,500,000)
Cash flow from financing activities	1,720,527	32,378,141
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,199,788)	12,263,604
Cash and cash equivalents, beginning of year	15,057,929	2,794,325
CASH AND CASH EQUIVALENTS, END OF YEAR	3,858,141	15,057,929
Cash transactions		
Interest received	92,799	41,441
Interest paid	342,977	6,039

Supplemental cash flows information (Note 21)

The accompanying notes are an integral part of these financial statements.

STRATECO RESOURCES INC.

Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

	Number of common shares outstanding	Share Capital (Note 5)	Equity component of convertible notes (Note 5)	Warrants	Contributed surplus	Accumulated other comprehensive loss (Note 5)	Deficit (Note 5)	Total equity
		\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2010	121,806,432	56,882,068	-	-	8,814,337	(255,000)	(9,571,283)	55,870,122
Net loss	-	-	-	-	-	-	(5,664,361)	(5,664,361)
Other comprehensive income (loss)	-	-	-	-	-	90,000	-	90,000
Comprehensive income (loss)	-	-	-	-	-	90,000	(5,664,361)	(5,574,361)
In consideration of mining properties (Note 9)	50,000	30,100	-	-	-	-	-	30,100
Private placements (Notes 11 and 14)	16,802,300	14,918,437	-	-	-	-	-	14,918,437
Warrants granted in connection with private placements (Notes 11 and 14)	-	(1,324,096)	-	1,220,538	-	-	-	(103,558)
Convertible notes, net of income taxes (Note 11)	-	-	5,304,849	2,055,475	-	-	-	7,360,324
In consideration of issue costs	789,494	(794,293)	-	103,558	-	-	-	(690,735)
Issue costs, net of income taxes	-	-	(371,526)	(170,976)	-	-	-	(542,502)
Exercise of stock options	400,000	96,000	-	-	(16,000)	-	-	80,000
Stock-based compensation (Note 15)	-	-	-	-	621,609	-	-	621,609
In consideration of issue costs of loans payable	-	-	-	174,938	-	-	-	174,938
Deferred income tax	-	18,917	-	-	-	-	-	18,917
Balance at December 31, 2010	139,848,206	69,827,133	4,933,323	3,383,533	9,419,946	(165,000)	(15,235,644)	72,163,291
Balance at January 1, 2011	139,848,206	69,827,133	4,933,323	3,383,533	9,419,946	(165,000)	(15,235,644)	72,163,291
Net loss	-	-	-	-	-	-	(10,320,613)	(10,320,613)
Other comprehensive income (loss)	-	-	-	-	-	155,000	-	155,000
Comprehensive income (loss)	-	-	-	-	-	155,000	(10,320,613)	(10,165,613)
In consideration of mining properties (Note 9)	70,000	27,720	-	-	-	-	-	27,720
Private placements (Note 14)	4,904,904	2,354,354	-	-	-	-	-	2,354,354
Issue costs, net of income taxes of \$66,151	-	(179,764)	-	-	-	-	-	(179,764)
Exercise of stock options	175,000	105,000	-	-	(35,000)	-	-	70,000
Deferred income tax	-	151,435	-	-	-	-	(202,000)	(50,565)
In consideration of issue costs of loans payable (Note 11)	-	-	-	58,574	-	-	-	58,574
Stock-based compensation (Note 15)	-	-	-	-	381,229	-	-	381,229
Balance at December 31, 2011	144,998,110	72,285,878	4,933,323	3,442,107	9,766,175	(10,000)	(25,758,257)	64,659,226

The accompanying notes are an integral part of these financial statements.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

Strateco Resources Inc. (“the Company”) is incorporated under the *Canada Business Corporations Act* and is engaged in the acquisition, the exploration and evaluation and the development of mining properties. The address of its registered office and principal place of business is 1225 Gay-Lussac Street, Boucherville, Québec, J4B 7K1, Canada. The Company’s shares are listed on the Toronto Stock Exchange TSX.

The Company has not yet determined whether the mining properties and the deferred exploration and evaluation expenditures have economically recoverable ore reserves. Recovery of amounts indicated under mining properties, the deferred exploration and evaluation expenditures and the property and equipment are subject to the discovery of economically recoverable reserves, the Company’s ability to obtain the financing required to complete exploration, evaluation, development, construction and profitable future production on its assets or the proceeds from the sale of such assets.

The accompanying financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Company’s ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

The Company recorded a net loss of \$10,320,613 for the year ended December 31, 2011, and has an accumulated deficit of \$25,758,257 as at December 31, 2011. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and existing commitments for exploration and evaluation programs and pay general and administration costs. As at December 31, 2011, the Company had working capital of \$5,570,003 including cash and cash equivalents of \$3,858,141, of which \$854 was restricted pursuant to flow-through financings. Management estimates that these funds will not be sufficient to meet the Company’s obligations and budgeted expenditures through December 31, 2012. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements (Note 23).

The Company’s year ends on December 31, 2011. These financial statements were approved for issue by the Board of Directors on March 21, 2012.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants (“*CICA Handbook*”). In 2010, the *CICA Handbook* was revised to incorporate International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the company’s first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in Note 5, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended December 31, 2010 prepared under Canadian GAAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the Company’s financial statements are described below.

BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances and highly-liquid short-term investments maturing within three months of their acquisition date.

EXPLORATION AND EVALUATION

Exploration and evaluation (“E&E”) assets are comprised of deferred E&E expenditures and mining properties. Expenditures incurred on activities that precede E&E of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

E&E assets include rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost less accumulated impairment losses. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs when the payments are made or received.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a mine project moves into the development phase, E&E expenditures are capitalized to mine development costs in property and equipment.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows under the heading Acquisition of mining properties and Increase in deferred exploration and evaluation expenditures.

GOVERNMENT ASSISTANCE

Quebec refundable credits on mining duties are recorded in the statement of income (loss) as current income tax recovery. The Company is entitled to a refundable tax credits on qualified mining E&E expenses incurred in the province of Québec which are recorded against the deferred E&E expenditures reported at statement of financial position.

EXPLORATION SUPPLIES

Materials and consumables used in the E&E are valued at the lower of purchase price determined using the "first in first out" FIFO method and net realizable value. Costs include acquisition, freight and other directly attributable costs.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price which may include construction or development of an item of property and equipment, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling the item and restoring the site on which it is located.

Repairs and maintenance costs are charged to the statement of income (loss) during the period in which they are incurred.

Depreciation of property and equipment, if related to E&E activities, is capitalized in deferred E&E expenditures. For those assets which are not related to E&E activities, depreciation expense is recognized in the statement of income (loss).

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and equipment, including assets recorded under capital leases, are depreciated based on the cost of an item of property and equipment less its estimated residual value, using the straight line method until 2015, which is the anticipated timing of the final production decision, with the exception of certain vehicles, certain portion of the camp and some infrastructures, rolling stock and equipments which are amortized over a three to ten year period based on their estimated useful lives.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each significant part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the statement of income (loss).

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets and E&E capitalized expenses and assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income (loss) or as deferred E&E expenditures over the period of the lease.

The Company leases certain equipment. Leases of equipment for which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance cost. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of income (loss) as finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

CONVERTIBLE NOTES

The liability, equity components and others (when applicable) of convertible notes are presented separately on the statement of financial position starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of income as finance cost.

The carrying amount of other components (when applicable), for example warrants, are determined with the Black-Scholes option pricing model.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes and it is presented in Equity as an equity component of convertible notes. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

The transaction costs are distributed between liability, equity and others components (when applicable), on a pro-rata basis of their carrying amounts.

PROVISIONS AND RESTORATION REHABILITATION AND ENVIRONNEMENTAL OBLIGATIONS

Provisions for environmental restoration costs and legal claims, where applicable, are recognized when: (i) the Company has a present legal or constructive obligation as a result of previous events; (ii) it is likely that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at Management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance cost. Changes in assumptions or estimates are reflected in the period in which they occur.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration and evaluation, development or ongoing production of a mineral property. Such costs arising from the decommissioning of property and equipment and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized in a logical and systematic manner.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of share options granted to employees are recognized in the statement of income, or capitalized to deferred E&E expenditures over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

SHARE CAPITAL AND WARRANTS

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

FLOW-THROUGH SHARES

The Company finances some E&E expenditures through the issuance of flow-through shares. The Company renounced the resource expenditure deductions for income tax purposes to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium") calculated using the residual value is recognized as other liability which is reversed in the results as recovery of deferred income taxes when eligible expenditures have been made.

INCOME TAXES

Income tax expense (recovery) on the profit for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining activities and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period during which the deferred tax is realized or recovered.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as noncurrent and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

INCOME (LOSS) PER SHARE

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding at the end of the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. The treasury stock method is used to determine the dilutive effect of the warrants, share options and the if-converted method is used for convertible debentures. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants, share options and convertible notes.

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets when it is probable that they will result in future economic benefits to the Company, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance cost in the statements of income (loss) in the period in which they are incurred.

SEGMENT DISCLOSURE

The Company currently operates in a single segment – the acquisition, exploration, evaluation and development of mineral properties. All of the Company's activities are conducted in Québec, Canada.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized in the statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and liabilities at fair value through profit or loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (loss) within other gains or losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income (loss) as part of finance income. When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income (loss) and are included in other gains or losses.

Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or Management expects to sell them within twelve months.

(iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities, loans payable, and convertible notes. Accounts payable and liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Loans payable, obligations under capital leases and convertible notes are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Company has classified its financial instruments as follows:

Category	Financial instrument
Loans and receivables	Cash and cash equivalents
Available-for-sale financial assets	Available-for-sale financial assets
Financial liabilities at amortized cost	Accounts payable and accrued charges Loans payable Convertible notes

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date of the statement of financial position, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

Financial assets carried at amortized cost

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the statement of income (loss).

Available-for-sale financial assets

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of income.

Impairment losses on available-for-sale equity financial assets are not reversed.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is the Canadian dollar.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

Unless otherwise noted, the revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 except for the adoption of IFRS 9 is effective January 1, 2015, with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The following is a brief summary of the new standards:

IFRS 7 - FINANCIAL INSTRUMENTS - DISCLOSURES

IFRS 7, *Financial Instruments: Disclosures*, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

IFRS 9 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT

IFRS 9, *Financial Instruments - Classification and Measurement*, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments - Recognition and Measurement*, for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements*.

IFRS 11 – JOINT ARRANGEMENTS

IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 13 - FAIR VALUE MEASUREMENT

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRIC 20 – STRIPPING COSTS

IFRIC 20, *Stripping Costs*, in the Production Phase of a Surface Mine, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. Stripping activity may create two types of benefit: i) inventory produced and ii) improved access to ore. Stripping costs associated with the former should be accounted for as a current production cost in accordance with IAS 2, *Inventories*. The latter should be accounted for as an addition to or enhancement of an existing asset.

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Many of the amounts included in the financial statements require Management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include:

1. Impairment of non-financial assets

- The Company's evaluation of the recoverable amount with respect to the non-financial assets is based on numerous assumptions and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The recoverable amount estimates may differ from actual values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in E&E activities and significant drop in uranium prices.
- In the fourth quarter of 2010, based on an assessment for impairment, the Apple property, the related deferred E&E expenditures and the related property and equipment ("Apple assets") were written down by \$3.1 million, \$828,851 and \$150,000, respectively, representing an impairment loss of \$4.1 million. The Company estimated the recoverable amount of the Apple assets, representing 50% of the carrying amount of the Apple assets less cost to sell, through application of the market approach utilizing the average variation of the share price calculated from guideline public companies between September 6, 2007, which was the acquisition date of the Apple property by the Company through the issuance of common shares and December 31, 2010. Guideline public companies are uranium exploration-stage public companies located in Canada that are considered to provide a reasonable basis for comparison to the relative investment characteristics of the property being valued. The choice and the guideline public companies and the estimation of the impairment charge is a significant accounting estimate that requires judgment from the Management.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

- In the fourth quarter of 2011, based on an impairment analysis, the Apple property, the related deferred E&E expenditures and the related property and equipment (“Apple assets”) were impaired by \$3,046,053, \$844,993 and \$76,660, respectively, representing an impairment loss of \$3,967,706 given that no E&E expenses are budgeted and that some claims were abandoned (Note 9) thus bringing the Apple assets to a book value of \$0 at December 31, 2011. The estimation of the impairment charge requires judgment from the Management.
2. Recognition of deferred income tax assets and the measurement of income tax expense
 - Periodically, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Company believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires Management to make significant judgment. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.
 3. Valuation of share based payments
 - The Company records all share based payments using the fair value method. The Company uses the Black-Scholes options pricing model to determine the fair value of stock options and warrants. The main factor affecting the estimates of the fair value of stock options and warrants is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on its historical volatility consideration the expected life of the options and warrants.
 4. Carrying value of the components of the convertible notes
 - The liability and equity components of convertible notes are presented separately on the statement of financial position starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. The prevailing market rate used for the calculation and the identification of similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option is a significant estimate of the Company and a change in the rate could impact the carrying value of the liability component and consequently of the equity component and also impacts the accretion expense which is recorded over the term of the convertibles notes.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

5. The estimated useful lives and residual values of property and equipment and the measurement of depreciation expense
 - Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. A large portion of the property and equipment are depreciated using the straight line method until 2015, which is the anticipated timing of the final production decision and a significant accounting estimate by the Company. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future, such as the anticipated timing of the final production decision by the Company and such a change could impact future depreciation expense.

6. Asset retirement obligations
 - Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. The Company intends to make in the future, expenditures to comply with such laws and regulations. The estimated present value of reclamation liabilities is recorded in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimate of the amount, timing and cost of the work to be carried out.

 - Future remediation costs are accrued based on Management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires Management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The Company also estimates the timing of the outlays is subject to change and is currently estimated to be 2015, which is the anticipated timing of the final production decision and a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

7. Uncertain tax positions

- The Company received notices of assessments from a taxation authority in July 2011 for years ending December 31, 2006, 2007 and 2008 disallowing certain expenditures in the calculation of credits for mining duties refundable for losses, amounting to approximately \$800,000 for these three years. The Company is in disagreement with the notices of assessments and undertook an opposition process to justify its claims. Without prejudice of all of the legal and objection proceedings, the Company estimates the maximum exposure to be a reduction of the credits for mining duties refundable for losses of an aggregate and approximate amount of \$1.5 million as at December 31, 2011, if all expenditures referred to in the notices of assessments are finally disallowed and in taking also into account the eventual impact of assessments on the same basis by taxation authorities on credits for mining duties recorded in the subsequent years ended December 31, 2009 and 2010 and 2011.

Credits for mining duties refundable for losses for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including mining duties for losses, and the amount and timing of their collection. The calculation of the Company's credits for mining duties refundable for losses necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution of an opposition process has been reached with the relevant taxation authority or, as appropriate, through a formal legal process. Difference arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credits for mining duties refundable for losses and income tax expense in future periods. The resolution of issues can, and often does, take many years to resolve. As a result there can be substantial differences between credits for mining duties refundable for losses and the amount finally recovered.

Those credits for mining duties refundable for losses are classified as non-current assets.

The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's earnings and cash flow.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

5. TRANSITION TO IFRS

The effect of the Company's transition from Canadian GAAP to IFRS, as described in Note 2, is summarized in this note as follows:

- (a) Transition elections;
- (b) Reconciliation of balance sheets, equity, net income and comprehensive loss as presented under Canadian GAAP to IFRS and explanatory notes;
- (c) Adjustments to the statement of cash flows;

- (a) Transition elections

IFRS 1, *First Time Adoption of IFRS*, offers the possibility of utilizing certain exemptions from full retrospective application of IFRS. The Company evaluated the options available and elected to adopt the following transition exemptions:

(i) In accordance with IFRS 1, the Company elected to apply IFRS 2, *Share-based Payments*, prospectively. This exemption enables the Company to apply IFRS 2 retrospectively at the transition date only to equity instruments that were attributed after November 7, 2002 and had not vested by the IFRS transition date. At the transition date no material adjustments were identified and required. Canadian GAAP balances of equity components relating to share-based payment transactions entered into before that date have therefore been carried forward without adjustment.

(ii) In accordance with IFRS 1, the Company has elected to apply the transitional provisions in IFRIC 4, *Determining whether an Arrangement contains a Lease*, at the date of transition to all arrangements other than those entered into or modified since January 1, 2005, as such arrangements have already been assessed under requirements similar to those of IFRIC 4 under Canadian GAAP. No impact resulted from the review of arrangements.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

5. TRANSITION TO IFRS (CONT'D)

(b) Reconciliation of balance sheets, equity, statements of income (loss) and comprehensive income as presented under Canadian GAAP to IFRS and explanatory notes.

	Ref.	January 1, 2010			December 31, 2010		
		Canadian GAAP	Adjustment	IFRS	Canadian GAAP	Adjustment	IFRS
		\$	\$	\$	\$	\$	\$
ASSETS							
Currents assets							
Cash and cash equivalents	(i)	321,065	2,473,260	2,794,325	10,057,889	5,000,040	15,057,929
Tax credits receivable		9,306,880	-	9,306,880	8,149,396	-	8,149,396
Sales tax receivable		334,951	-	334,951	791,607	-	791,607
Prepaid expenses and other receivables		287,348	-	287,348	370,761	-	370,761
		10,250,244	2,473,260	12,723,504	19,369,653	5,000,040	24,369,693
Non-current assets							
Non-current portion of tax credits receivable		-	-	-	1,935,799	-	1,935,799
Available-for sale investment		45,000	-	45,000	135,000	-	135,000
Funds for exploration	(i)	2,473,260	(2,473,260)	-	5,000,040	(5,000,040)	-
Mining properties	(ii) (v)	10,827,687	(2,809,321)	8,018,366	6,542,234	(2,809,321)	1,400,000
Deferred exploration and evaluation expenditures	(ii) (iii) (iv) (v)	36,304,887	-	40,351,341	46,251,004	254,870 4,757,448 78,674 (78,851)	51,263,145
Property and equipment	(iv)	1,754,666	49,755	1,804,421	9,604,358	572,883	10,177,241
Total assets		61,655,744	1,286,888	62,942,632	88,838,088	4,175,703	93,013,791
LIABILITIES							
Current liabilities							
Accounts payable and accrued charges		1,697,302	-	1,697,302	2,907,777	-	2,907,777
Loans payable		-	-	-	3,775,843	-	3,775,843
Current portion of obligations under finance leases		156,814	-	156,814	275,244	-	275,244
		1,854,116	-	1,854,116	6,958,864	-	6,958,864
Non-current liabilities							
Obligations under finance leases		171,522	-	171,522	45,003	-	45,003
Convertible notes		-	-	-	5,588,713	-	5,588,713
Deferred income tax liabilities	(ii) (iii) (vi) (vii)	1,293,000	(1,348,236)	4,346,770	-	(1,489,135) 4,894,774 (254)	5,911,466
Other liability	(vi)	-	490,348	490,348	-	2,506,081 421,057	421,057
Asset retirement obligations	(iv)	160,000	49,755	209,755	1,316,413	608,984	1,925,397
Total liabilities		3,478,638	3,593,873	7,072,511	13,908,993	6,941,507	20,850,500

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

5. TRANSITION TO IFRS (CONT'D)

(b) Reconciliation of balance sheets, equity, statements of income (loss) and comprehensive income as presented under Canadian GAAP to IFRS and explanatory notes (cont'd).

	Ref.	January 1, 2010			December 31, 2010		
		Canadian GAAP	Adjustment	IFRS	Canadian GAAP	Adjustment	IFRS
		\$	\$	\$	\$	\$	\$
EQUITY							
Share capital	(ii)	58,766,177	(96,165)		71,698,381	(77,248)	
	(vi)		(1,787,944)	56,882,068		(1,794,000)	69,827,133
Equity component of convertible notes	(vii)	-	-	-	7,683,910	(2,750,587)	4,933,323
Warrants		-	-	-	3,383,533	-	3,383,533
Contributed surplus		8,814,337	-	8,814,337	9,419,946	-	9,419,946
Accumulated other comprehensive loss	(viii)	-	(255,000)	(255,000)	-	(165,000)	(165,000)
Deficit	(ii)	(9,403,408)	(1,364,921)		(17,256,675)	(988,068)	
	(iii)		(219,306)			(137,326)	
	(iv)					42,573	
	(v)					1,321,149	
	(vi)		1,161,351			1,373,198	
	(vii)					244,505	
	(viii)		255,000	(9,571,284)		165,000	(15,235,644)
Total equity		58,177,106	(2,306,985)	55,870,121	74,929,095	(2,765,804)	72,163,291
Total liabilities and equity		61,655,744	1,286,888	62,942,632	88,838,088	4,175,703	93,013,791

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

5. TRANSITION TO IFRS (CONT'D)

(b) Reconciliation of balance sheets, equity, statements of income (loss) and comprehensive income as presented under Canadian GAAP to IFRS and explanatory notes (cont'd).

	Ref.	Year ended December 31, 2010		IFRS
		Canadian GAAP	Adjustment	
		\$	\$	\$
EXPENSES				
Consulting and professional fees		1,283,995	-	1,283,995
Stock-based compensation		405,423	-	405,423
Communication and promotion expenses		591,828	-	591,828
Office expenses		246,221	-	246,221
Depreciation of property and equipment		38,702	-	38,702
Impairment of mining properties, deferred exploration and evaluation expenditures and property and equipment	(v)	5,400,000	(1,321,149)	4,078,851
Operating loss		(7,966,169)	1,321,149	(6,645,020)
Finance income		(43,203)	-	(43,203)
Finance costs				
Accretion expense on convertible notes		1,097,099		1,097,099
Accretion expense on asset retirement obligations	(iv)	76,257	(42,573)	33,684
Accretion expense on loans payable		20,916	-	20,916
Interest and bank charges		36,730	-	36,730
Interest on obligations under finance leases		26,852	-	26,852
Other gains and losses				
Unrealized gain on changes in fair value of investment	(viii)	(90,000)	90,000	-
Loss before income tax		(9,090,820)	1,273,722	(7,817,098)
Current income tax (recovery)	(iii)	-	(710,994)	(710,994)
Deferred income tax (recovery)	(ii)	(1,237,553)	(376,852)	
	(iii)		629,013	
	(vi)		(211,846)	
	(vii)		(244,505)	(1,441,743)
Income tax expense (recovery)		(1,237,553)	(915,184)	(2,152,737)
NET LOSS		(7,853,267)	2,188,906	(5,664,361)
Other comprehensive loss				
Changes in fair value of available-for-sale investment	(viii)	-	90,000	90,000
COMPREHENSIVE INCOME (LOSS)		(7,853,267)	2,278,906	(5,574,361)
NET LOSS PER SHARE, BASIC AND DILUTED		(0.06)		(0.05)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)		123,019		123,019

Certain amounts on the statements of income (loss) have been reclassified to conform to the presentation adopted under IFRS.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

5. TRANSITION TO IFRS (CONT'D)

- (b) Reconciliation of balance sheets, equity, statements of income (loss) and comprehensive income as presented under Canadian GAAP to IFRS and explanatory notes (cont'd).

EXPLANATORY NOTES

- (i) Under IFRS, funds restricted for exploration are not considered to be restricted and are categorized as cash and cash equivalents.
- (ii) Under Canadian GAAP, future income taxes on the acquisition of an asset in a transaction that is not a business combination and that arise from the difference between the carrying amounts of the assets acquired and their tax basis should be recognized.

Under IFRS, deferred taxes resulting from such transaction are not recorded.

- (iii) Under Canadian GAAP, no deferred tax liability ("DTL") was recorded for Québec Mining Duties ("QMD") because regardless of the expected manner of recovery, the tax basis of the mineral property interests for QMD purposes is the higher of two amounts, which equal to the carrying amount.

Under IFRS, the tax basis of the assets will be determined based on the expected manner of recovery of the assets. In most situations, and particularly in the situation of the Company, there is evidence that the mining assets would be recovered through use. Accordingly, the tax basis of the mining property for QMD is not its carrying amount but the amount as per the QMD returns which was nil at the transition. Such DTL is recorded as a deferred tax expense in the statement of income.

With regard to the to QMD refundable credits, it will be recorded in the statement of income as a current tax recovery given that one of the reasons why a DTL is recorded is because a refundable credit for losses was claimed. Under this approach, upon conversion to IFRS, the QMD refundable credits recorded as a reduction of the deferred E&E expenditures under Canadian GAAP has been reinstated to the deferred E&E expenditures and the offset will be adjusted to deficit.

- (iv) Under Canadian GAAP, discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate.

Under IFRS, the discount rate used should reflect the risks specific to the liability. These results in an increase in the asset retirement obligation, an increase to the underlying assets included in property and equipment, an increase in the depreciation expense, a decrease in the accretion expense and deferred taxes adjustments.

- (v) Under Canadian GAAP, the Apple assets were written down by \$5.4 million in the three-month period ended December 31, 2010 and upon transition to IFRS the impairment charge decreased to \$4.1 million as a result of IFRS adjustments affecting E&E assets.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

5. TRANSITION TO IFRS (CONT'D)

- (b) Reconciliation of balance sheets, equity, statements of income (loss) and comprehensive income as presented under Canadian GAAP to IFRS and explanatory notes (cont'd).

EXPLANATORY NOTES (CONT'D)

- (vi) Under Canadian GAAP, when flow-through shares are issued, they are initially recognized under share capital at their issue cost. When the Company renounces the expenses to investors (by filing the prescribed forms), a deferred tax liability is recognized as a share issue cost (as a credit to share capital). Under IFRS, flow-through shares are recognized based on the market price of the existing shares at the issue date. The difference (the "premium") between the share capital recognized and the amount paid for the shares by investors is recognized under "other liabilities", and reversed under income as a deferred tax credit as the qualifying expenditures are incurred. The tax impact arising from the renunciation is recognized under deferred tax expenses as the qualifying expenditures are incurred.
- (vii) Under Canadian GAAP, there is an exception where there is no deferred income tax to record when the settlement of the liability component of compound financial instruments, in accordance with its terms, might occur without tax impact. When the entity is able to settle the instrument without a tax impact, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

Under IFRS, deferred taxes relating to the liability component of compound financial instruments are recorded if the carrying amount of the liability component differs from its tax basis.

In 2010, the Company issued convertible notes for which no deferred income tax liability was recorded under Canadian GAAP. Upon transition to IFRS, the Company calculated the deferred tax liability arising from this liability.

- (viii) Under IFRS, the investment is classified as available-for-sale. It was classified as held-for-trading under Canadian GAAP. The changes in fair value of available-for-sale investment are therefore recognized in the statement of comprehensive income, net of deferred taxes and not in the statement of income as under Canadian GAAP.
- (c) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flows with the exception of the QMD refundable credits receivable which have been reclassified to operating activities from investing activities and funds reserved for exploration which have been reclassified to cash and cash equivalents.

Cash flow provided by (used in)

Year ended				
December 31, 2010	Ref.	Canadian GAAP	Adjustment	IFRS
		\$	\$	\$
Cash flow from operating activities	5b (iii)	(3,134,606)	1,151,952	(1,982,654)
Cash flow from investing activities	5b (i) and (iii)	(14,506,671)	(3,625,212)	(18,131,883)
Net variation in cash and cash equivalents	5b (i)	14,736,864	(2,473,260)	12,263,604

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

6. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
	\$	\$	\$
Cash	3,858,141	5,057,929	1,794,325
Term deposits at a rate of 1.05% on December 31, 2010 and a rate of 0.40% on January 1, 2010	-	10,000,000	1,000,000
	3,858,141	15,057,929	2,794,325

7. TAX CREDITS RECEIVABLE

	December 31, 2011	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
	\$	\$	\$
QMD refundable credit (i)	2,784,993	3,537,552	3,838,426
Refundable credit for resources related for exploration expenses	5,000,736	6,547,643	5,468,454
	7,785,729	10,085,195	9,306,880
Less: Non-current portion of tax credits receivable (i)	2,784,993	1,935,799	-
Current portion of tax credits receivable	5,000,736	8,149,396	9,306,880

(i) Due to delays in the processing of claims for QMD refundable credits receivable and the objection process (see Note 4 "Uncertain Tax Positions"), the Company has classified all of its QMD refundable credits receivable as non-current assets.

8. FINANCIAL ASSETS AVAILABLE FOR SALE

The Company owns 1,000,000 shares of Pacific Bay Minerals Ltd. ("Pacific Bay") (1,000,000 at December 31, 2010) which were trading at \$0.040 as at December 31, 2011 (\$0.135 at December 31, 2010).

9. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES

Mining properties	Interest	December 31, 2010 (Note 5)	Additions	Impairment	December 31, 2011
		\$	\$	\$	\$
Matoush project					
Matoush	100%	338,657	1,272	-	339,929
Matoush Extension	100%	20,842	784	-	21,626
Eclat	100%	1,285,901	-	-	1,285,901
Pacific Bay-Matoush	60%	438,713	202,772	-	641,485
Other projects					
Mistassini	60%	9,827	8,892	-	18,719
Apple	100%	3,038,973	7,080	(3,046,053)	-
		5,132,913	220,800	(3,046,053)	2,307,660

Property and deferred E&E costs related to Apple have a cumulative impairment loss of \$6,146,053 and \$1,673,844, respectively as at December 31, 2011.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

9. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES (CONT'D)

Mining properties		Interest	January 1, 2010 (Note 5)	Additions (Note 5)	Impairment (Note 5)	December 31, 2010 (Note 5)
			\$	\$	\$	\$
Matoush project						
Matoush	100%		338,306	351	-	338,657
Matoush Extension	100%		1,236	19,606	-	20,842
Eclat	100%		1,280,807	5,094	-	1,285,901
Pacific Bay-Matoush	Option of 60%		261,279	177,436	-	438,715
Other projects						
Mistassini	Option of 60%		9,041	786	-	9,827
Apple	100%		6,127,697	11,274	(3,100,000)	3,038,971
			8,018,366	214,547	(3,100,000)	5,132,913

Deferred E&E expenditures	December 31, 2011	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
	\$	\$	\$
Deferred E&E expenditures	62,373,425	50,386,388	40,138,577
Exploration supplies	661,722	876,757	212,764
	63,035,147	51,263,145	40,351,341

Deferred E&E expenditures	December 31, 2010 (Note 5)	Additions	Tax Credits	Impairment	December 31, 2010
	\$	\$	\$	\$	\$
Matoush project					
Matoush	42,926,625	16,229,945	(4,505,859)	-	54,650,711
Matoush Extension	494,879	39,402	(15,268)	-	519,013
Eclat	4,361,338	43,366	(16,804)	-	4,387,900
Pacific Bay-Matoush	1,237,034	1,026,291	(397,688)	-	1,865,637
Other projects					
Mistassini	572,272	616,966	(239,074)	-	950,164
Apple	794,240	51,823	(1,070)	(844,993)	-
	50,386,388	18,007,793	(5,175,763)	(844,993)	62,373,425

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

9. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES (CONT'D)

Deferred E&E expenditures	January 1, 2010 (Note 5)	Additions (Note 5)	Tax		December 31, 2010 (Note 5)
			Credits (Note 5)	Impairment (Note 5)	
	\$	\$	\$	\$	\$
Matoush project					
Matoush	35,515,996	12,085,631	(4,675,002)	-	42,926,625
Matoush Extension	471,425	38,290	(14,836)	-	494,879
Eclat	1,113,569	5,302,480	(2,054,711)	-	4,361,338
Pacific Bay-Matoush	923,867	527,330	(214,163)	-	1,237,034
Other projects					
Mistassini	555,156	21,878	(4,762)	-	572,272
Apple	1,558,564	72,375	(7,848)	(828,851)	794,240
	40,138,577	18,047,984	(6,971,322)	(828,851)	50,386,388

MATOUSH

The Company owns 100% of the Matoush property, located about 270 km north of Chibougamau. The property is subject to a 2% Net Smelter Return (“NSR”) royalty.

MATOUSH EXTENSION

The Company owns 100% of the Matoush Extension property.

ECLAT

In June 2009, the Company made the last payment of \$96,000 pursuant to the letter of intent signed on July 6, 2005 with Vija Ventures Corporation (“Vija”). Having met all its obligations, the Company owns a 100% interest on all minerals, except diamonds, on all the claims in Eclat property, subject to a 2% NSR royalty and a 2% of gross proceeds of carbon emission rights in favor of Vija.

PACIFIC BAY-MATOUSH

On January 14, 2008, the Company signed the final agreement that it could acquire a 60% interest in the Pacific Bay-Matoush property owned by Pacific Bay Minerals Ltd (“Pacific Bay”) located in the Matoush District of Québec’s Otish Mountains. The agreement calls for the Company would pay Pacific Bay a total of \$500,000, issue 200,000 common shares and would incur \$3 million in E&E expenditures over four years, including a minimum of 10,000 metres of drilling at a rate of 2,500 metres per year. In addition, the Company acquired on the signature date of the final agreement 1,000,000 units of Pacific Bay at a price of \$0.30 per unit whereby each unit consisted of one common share and one warrant to purchase a common share at \$0.60 per share for a period of 24 months. The warrants expired without being exercised.

In October 2009, the Company has fulfilled its annual commitments by issuing 40,000 common shares, paying \$100,000 and completing \$750,000 in E&E work including the minimum of 2,500 metres of drilling.

In October 2010, the Company has fulfilled its annual commitments through the issuance of 50,000 common shares (valued at \$30,100 based on the share price on the date of the issuance of the shares) and by paying \$125,000. The annual commitments for 2010 regarding E&E work were not met as only approximately \$300,000 was spent. An amendment was negotiated between the Company and Pacific Bay whereby the remaining E&E expenditures of 2010 were added to the 2011 exploration work commitment.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

9. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES (CONT'D)

In October 2011, the Company has fulfilled its annual commitments for the year through the issuance of 70,000 common shares (valued at \$27,720 based on the share price on the date of the issuance of the shares), by paying \$175,000 and realized \$1.0 million for exploration work which also meet the minimum requirements for meters to be drilled. Having met his final obligations, the Company exercised its option and it holds with effect from October 29, 2011, a 60% undivided interest in the property.

MISTASSINI

Pursuant to a letter of intent dated November 20, 2007 and the exercise of its right of first refusal on February 14, 2008, the Company may acquire a 60% interest in Majescor Resources Inc (“Majescor”) uranium rights on the Mistassini property located in the Otish Mountains, Québec by incurring an aggregate of \$1.3 million in E&E expenditures over three years. On November 24, 2008, the Company and Majescor signed a formal agreement retroactive to February 14, 2008. The Mistassini property is subject to a royalty of 2% of the proceeds from the all sales of uranium oxide. The Company had to reimburse Majescor the cost of the drilling program done in December 2007 (approximately \$250,000) and incur an additional \$250,000 in E&E expenses on the property in Year 1, for a total firm commitment of \$500,000. As at December 31, 2009, the Company has met its \$500,000 and \$400,000 commitments for Year 1 and Year 2, respectively.

On May 16, 2011, the Company and Majescor Resources signed a definitive joint venture agreement with the entry into force has been set for February 14, 2011, the date on which the Company has fulfilled its obligations under the agreement of option. The Company now holds a 60% stake in the uranium rights of the Mistassini property which is the main asset of the joint venture.

APPLE

The Apple property is located 80 km southeast of Radisson, in the James Bay area, Québec. The property is subject to a 2% NSR royalty of which 1% can be repurchased by the Company for \$1 million from Virginia Mines Inc.

In accordance with its accounting policies, the Company reviewed the factors and conditions that may indicate the need for an assessment for impairment on its mining properties as at December 31, 2011 and 2010.

Based on an impairment test performed, the Apple property, the related deferred E&E expenses and the related property and equipment (“Apple assets”) were written down by \$3.1 million, \$828,851 and \$150,000, respectively, on a pro-rata basis of their carrying value as at December 31, 2010, representing an impairment loss of \$4.1 million.

The Company did not have sufficient information regarding the Apple property to estimate the future cash flows needed to test the recoverability of the capitalized costs for that property. Therefore, the Company tested the Apple property for impairment. The Company had estimated the recoverable amount of the Apple assets, representing 50% of the carrying amount of the Apple assets, through application of the market approach utilizing the average variation of the share price calculated from guideline public companies between September 6, 2007, which was the acquisition date of the Apple property by the Company through the issuance of common shares and December 31, 2010. Guideline public companies are uranium exploration-stage public companies located in Canada that are considered to provide a reasonable basis for comparison to the relative investment characteristics of the property being valued.

The Company is currently concentrating its efforts towards the development of the Matoush property and therefore has limited resources available for the E&E of the Apple property for 2012 and in the future. Some claims were abandoned and no E&E are budgeted, which led the Company to determine whether an impairment of capitalized costs related to the Apple property was required as at December 31, 2011.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

9. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES (CONT'D)

The Apple property, the related deferred E&E expenses and the related property and equipment ("Apple assets") were written down by \$3,046,053, \$844,993 and \$76,660, respectively, representing an impairment loss of \$3,967,706 as at December 31, 2011 thus bringing the Apple assets to a book value of \$0 as at December 31, 2011.

10. PROPERTY AND EQUIPMENT

	Buildings and infrastructure <i>(i) (ii)</i>	Vehicles and rolling stock <i>(ii)</i>	Equipment	Total <i>(iii)</i>
	\$	\$	\$	\$
January 1, 2010				
(Note 5)				
Cost	2,065,494	344,545	749,137	3,159,176
Accumulated depreciation	(774,728)	(297,094)	(282,933)	(1,354,755)
Net book value	1,290,766	47,451	466,204	1,804,421
Year ended December 31, 2011				
(Note 5)				
Net book value, beginning of year	1,290,766	47,451	466,204	1,804,421
Additions	9,551,227	153,831	197,500	9,902,558
Depreciation	(1,125,144)	(53,563)	(201,031)	(1,379,738)
Impairment charges	(150,000)	-	-	(150,000)
Net book value, end of year	9,566,849	147,719	462,673	10,177,241
As at December 31, 2010				
(Note 5)				
Cost	11,616,721	498,376	946,637	13,061,734
Accumulated depreciation	(1,899,872)	(350,657)	(483,964)	(2,734,493)
Accumulated impairment charges	(150,000)	-	-	(150,000)
Net book value	9,566,849	147,719	462,673	10,177,241
Year ended December 31, 2011				
Net book value, beginning of year	9,566,849	147,719	462,673	10,177,241
Additions	1,112,154	990	132,615	1,245,759
Depreciation	(2,375,782)	(56,178)	(241,580)	(2,673,540)
Impairment charges	(76,660)	-	-	(76,660)
Net book value, end of year	8,226,561	92,531	353,708	8,672,800
As at December 31, 2010				
Cost	12,728,875	499,366	1,079,252	14,307,493
Accumulated depreciation	(4,275,654)	(406,835)	(725,544)	(5,408,033)
Accumulated impairment charges	(226,660)	-	-	(226,660)
Net book value	8,226,561	92,531	353,708	8,672,800

(i) The amount of property and equipment that were purchased and delivered or are under construction on the Matoush project site and not depreciated as of December 31, 2011 and 2010 amounted to \$907,517 and \$544,859, respectively, and is presented in Buildings and infrastructure.

(ii) There was no depreciation expense relating to finance leases in the statement of income (loss). The depreciation expense relating to property and equipment under finance lease of \$16,146 was capitalized in deferred E&E expenditures for the year ended December 31, 2011 (\$164,467 for the year ended December 31, 2010).

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

10. PROPERTY AND EQUIPMENT (CONT'D)

Included in Buildings and infrastructure and Vehicules and rolling stock, there are buildings and infrastructure and vehicules and rolling stock under a finance lease with net book values of \$44,626 and \$266,494 as at December 31, 2011 and 2010, respectively.

(iii) All property and equipment are located in Canada.

11. LOANS PAYABLE AND CONVERTIBLE NOTES

	Convertible notes (a)	Loans payable (b, c and d)
	\$	\$
Balance as of January 1, 2010	-	-
Additions	4,491,614	6,254,927
Accretion expense	1,097,099	20,916
Reimbursement	-	(2,500,000)
As at December 31, 2010	5,588,713	3,775,843
Additions	-	2,877,426
Accretion expense	1,484,894	226,738
Reimbursement	-	(4,000,000)
As at December 31, 2011	7,073,607	2,880,007

(a) On January 27, 2010, the Company closed a private placement with Sentient Executive GP III, Limited ("Sentient") of 100,000 units for an amount of \$95,000 and of \$14,905,000 of convertible notes accompanied by common share purchase warrants. Each unit consists of one common share and one-half of one warrant. Each tranche of \$1,000 in notes is accompanied by approximately 527 warrants. Each warrant entitles its holder to purchase one share for \$1.00 during a 24-month period following the closing and for \$1.05 during the subsequent period of 24 to 36 months after the closing.

The notes do not bear interest and are unsecured. They mature on February 27, 2015. They are convertible into shares by the holder during that period at a price of \$0.95 per share. Until the notes mature, Sentient has the option of converting the notes in increments of \$1,000 into 1,053 shares on the basis of a conversion price of \$0.95 per share, for a total of 15,689,474 shares.

At the maturity date, the Company may at its sole discretion elect to repay the principal amount of the notes, in whole or in part, in common shares. The number of common shares to be issued will be calculated by dividing the elected portion of the principal amount by 95% of the weighted-average price of five trading days on the TSX. According to the subscription agreement, the Company will not issue more than 30,451,608 common shares following the conversion of the notes and will not issue the common share at a price lower than \$0.7018 without the prior consent of the shareholders. If the consent of the shareholders is not granted, the Company will have to settle the difference between the weighted-average price of the share on the TSX for five trading days and the floor price of \$0.7018 in cash.

If there is a change in control, the holder may elect to receive the reimbursement of the outstanding principal amount multiplied by 101%.

From the total amount received from the units, \$13,117 has been allocated to warrants and \$81,883 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on two sets of assumptions to which probabilities were assigned: risk-free interest rate of 1.66%, expected volatility of 92%, no expected dividend yield and an expected life of the warrants of 2.75 years.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

11. LOANS PAYABLE AND CONVERTIBLE NOTES (CONT'D)

When initially recorded, the proceeds received amounted to \$14,905,000 for the convertible notes. Of this amount, the debt, warrants and equity components represents respectively \$4,794,089, \$2,055,475 and \$5,304,849, net deferred tax (Note 5 (b), (vii)). The debt component was evaluated first using an effective rate of 25% corresponding to a rate that the Company would have obtained for a similar financing without the conversion option. Subsequently, the Company evaluated the fair value of the warrants with the same methodology and same assumptions as the warrants issued with the units. The residual was attributed to the equity component and is presented in the shareholder's equity.

The Company has agreed to pay Sentient transaction fees equal to 5% of the gross proceeds of the private placement. Transaction fees of \$750,000 were paid in the corresponding number of units representing 789,474 common shares issued and 394,737 warrants issued under the same conditions as the warrants issued with the units. The expense of these \$750,000 fees was split between the debt, warrants and equity components for \$241,232, \$103,429 and \$405,339, respectively. To record the common share and warrants issued, the Company first evaluated the fair value of \$103,558 for the warrants with the same methodology and same assumptions as the warrants issued with the units and then attributed the residual value of \$646,441 to the common shares issued. Transaction costs of \$190,406 were also allocated between the debt, warrants and capital component of the convertible notes for \$61,243, \$26,258 and \$102,905, respectively. The tax impact on the warrants and capital components of the convertible notes is \$34,886 and \$136,718, respectively.

- (b) The Company received a \$3 million loan from SIDEX, Limited Partnership, ("SIDEX") on December 29, 2011. The loan is secured by the 2011 refundable credit for resources-related exploration expenses and must be repaid within 30 days from the receipt of the 2011 refundable credit for resources-related E&E expenses or by December 31, 2012. The loan bears interest at the annual rate of 8%.

In connection with the loan, the Company issued 500,000 common share purchase warrants and paid \$64,000 in cash to SIDEX. Each warrant entitles the holder to acquire one common share of the Company for 24 months at a price of \$0.75 per share.

The estimated fair value of \$0.12 per warrant for an aggregate of \$58,574 was determined using the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 0.95%, expected volatility of 74%, no expected dividend yield and an expected life of the warrants of 24 months. This amount was recorded as reduction of the loan.

- (c) The Company received a \$4 million loan from SIDEX, on November 26, 2010. The loan is secured by the 2010 refundable credit for resources-related exploration expenses and must be repaid within 30 days from the receipt of the 2010 refundable credit for resources-related E&E expenses or by December 31, 2011. The loan bears interest at the annual rate of 8%.

In connection with the loan, the Company issued 500,000 common share purchase warrants and paid \$84,000 in cash to SIDEX. Each warrant entitles the holder to acquire one common share of the Company for 24 months at a price of \$1.05 per share.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

11. LOANS PAYABLE AND CONVERTIBLE NOTES (CONT'D)

The estimated fair value of \$0.32 per warrant for an aggregate of \$161,073 was determined using the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 1.6%, expected volatility of 72%, no expected dividend yield and an expected life of the warrants of 24 months. This amount was recorded as reduction of the loan.

On December 19, 2011, the Company repaid in full the \$4 million loan from SIDEX.

- (d) The Company received a \$2,500,000 loan from SIDEX on September 15, 2010. The loan was secured by the 2009 refundable credit for resources-related E&E expenses and had to be repaid within 30 days from the receipt of the 2009 refundable credit for resources-related E&E expenses or by March 15, 2011. The loan bear interest at the annual rate of 9%.

In connection with the loan, the Company issued 300,000 common share purchase warrants to SIDEX. Each warrant entitles the holder to acquire one common share of the Company for 18 months at a price of \$1.00 per share.

The estimated fair value of \$0.046 per warrant for an aggregate of \$13,864 was determined using the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 1.53%, expected volatility of 58%, no expected dividend yield and an expected life of the warrants of 18 months.

On October 8, 2010, the Company repaid in full the \$2,500,000 loan from SIDEX.

12. OBLIGATIONS UNDER FINANCE LEASES

	December 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Obligations under finance leases	45,003	320,247	328,336
Current portion of the obligations under finance leases	(14,129)	(275,244)	(156,814)
	30,874	45,003	171,522

The aggregate capital amount of the obligations under finance leases is as follows:

	\$
2012	17,592
2013	17,592
2014	16,126
	51,310
Less: imputed interest calculated at 9%	(6,307)
	45,003

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

13. ASSET RETIREMENT OBLIGATIONS

	December 31, 2011	December 31, 2010 (Note 5)
	\$	\$
Balance, beginning of year	1,925,397	209,755
Accretion expense on asset retirement obligations	88,602	33,684
New obligations and changes in estimates with respect to obligations previously ascertained	(19,290)	1,681,958
Balance, end of year	1,994,709	1,925,397

The estimated undiscounted cash flows required to settle the asset retirement obligations are \$1,895,600. The Company is reviewing, at each period, the amount and the expected timing of payment of the cash flows required to settle the obligations and adjusts the asset retirement obligations accordingly. A discount rate of 3.05% was used to evaluate the obligations at December 31, 2011 and the calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2015, which is the anticipated timing of the final production decision. If the Company decides not to go into production on the Matoush property, it is assumed that the asset retirement obligations will be settled in 2015. Should the Company decide to proceed with a production decision on the Matoush property, the obligation will be settled further into the future.

14. EQUITY

SHARE CAPITAL

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.

Private placements

- (a) On June 23, 2011 the Company closed an unbrokered private placement for a total of 4,904,904 flow-through shares for gross proceeds of \$3,500,100. Under the flow-through share subscription agreements, the Company agreed to renounce \$3,500,100 in qualifying expenditures to qualified investors effective December 31, 2011.

The Company incurred finders' fees of \$210,000 and issue costs of \$35,915 in connection with this offering for a total of \$245,915.

- (b) On December 23, 2010, the Company completed a brokered private placement of 9,639,000 units at a price of \$0.83 per unit for gross proceeds of \$8,000,453.

Each unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.05 for a period of 24 months from closing. The estimated fair value of the warrants of \$0.21 per warrant was determined using the Black-Scholes model with no expected dividend yield, an expected volatility of 70%, a risk-free interest rate of 1.6% and an expected life of warrants of 24 months. An amount of \$1,017,427 was thus recognized as warrants and has reduced the share capital.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

14. EQUITY (CONT'D)

As part of this brokered private placement, the Company also issued 5,263,200 flow-through shares for gross proceeds of \$5,000,040. Under the flow-through share agreements, the Company agreed to renounce \$5,000,040 of qualifying expenditures in 2011 to the investors effective December 31, 2010.

The Company incurred fees in connection with this offering which totaled \$914,441 and were allocated between share capital and warrants for \$838,266 and \$76,175, respectively.

- (c) On December 23, 2010, Sentient exercised its full right of participation of 11.98% granted on January 27, 2010 (Note 11 (a)) and purchased 1,800,000 units for total proceeds of \$1,494,000 in a non-brokered private placement under the same terms as the brokered private placement. The 900,000 warrants issued were also valued at \$0.21 per warrant based on the assumptions described in (b). An amount of \$189,994 was thus recognized as warrants and has reduced share capital.

WARRANTS

Each warrant entitles its holder to purchase one share of the Company. Changes to the outstanding warrants are shown in the following table:

	2011			2010		
	Number	Weighted-average exercise price	Total	Number	Weighted-average exercise price	Total
		\$	\$		\$	\$
Balance, beginning of year	14,809,024	1.02	3,383,533	-	-	-
Private placements	-	-	-	5,769,550	1.05	1,220,538
Convertible notes	-	-	-	7,844,737	1.00	2,055,475
In consideration of issue costs	-	-	-	394,737	1.00	103,558
Issue costs net of tax impact of \$34,886	-	-	-	-	-	(170,976)
In consideration of issuance costs of loans to pay (Note 11)	500,000	0.75	58,574	800,000	1.03	174,938
Balance, end of year	15,309,024	1.01	3,442,107	14,809,024	1.02	3,383,533

Outstanding warrants as at December 31, 2011, are shown in the following table:

Number of warrants	Exercise price	Expiry date
300,000	\$1.00	March 15, 2012
500,000	\$1.05	November 26, 2012
5,719,550	\$1.05	December 23, 2012
8,289,474	\$1.00 till January 27, 2012 and \$1.05 till January 27, 2013	January 27, 2013
500,000	\$0.75	December 23, 2013
15,309,024		

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

15. STOCK OPTION PLAN

The Company has a stock option plan for its officers, directors and consultants. The Board of Directors sets the conditions for acquiring the common stock options according to quantity and exercise price. 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. The maximum number of common shares issuable under the plan is 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 share capital.

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

	2011		2010	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price
		\$		\$
Balance, beginning of year	5,030,500	1.75	4,310,500	1.89
Granted	1,129,500	0.50	1,302,000	1.00
Exercised	(175,000)	0.40	(400,000)	0.20
Forfeited	(104,668)	1.00	(7,000)	1.00
Expired	(442,832)	1.37	(175,000)	1.79
Balance, end of year	5,437,500	1.62	5,030,500	1.75

The weighted average share price at the exercise date was \$0.93 per share (\$0.85 in 2010).

As at December 31, 2011, the Company had the the following outstanding options:

Number of outstanding options	Number of exercisable options	Exercise price	Expiry date
		\$	
100,000	100,000	2.60	February 4, 2012
30,000	30,000	2.80	February 7, 2012
150,000	150,000	2.86	March 20, 2012
700,000	700,000	3.37	April 11, 2012
75,000	75,000	3.20	May 6, 2012
60,000	60,000	3.20	June 11, 2012
120,000	120,000	2.72	July 14, 2012
300,000	300,000	2.10	March 18, 2013
699,000	699,000	2.04	April 13, 2013
130,000	130,000	2.04	August 14, 2013
7,500	7,500	2.04	September 25, 2013
67,500	67,500	2.04	October 29, 2013
964,500	964,500	1.00	June 8, 2014
7,000	7,000	1.00	September 14, 2014
44,000	44,000	1.00	January 4, 2015
500,000	500,000	1.00	May 26, 2015
388,000	388,000	1.00	June 6, 2015
1,095,000	1,012,999	0.50	June 27, 2016
5,437,500	5,355,499		

During the year ended December 31, 2011, stock-based compensation expenses of \$241,727 (\$405,423 in 2010) were recorded in the statements of income (loss) and an amount of \$139,502 (\$216,186 in 2010) was capitalized to deferred E&E expenditures.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

15. STOCK OPTION PLAN (CONT'D)

During the year ended December 31, 2011, the Company granted 1,129,500 stock options (1,302,000 in 2010) at a exercise price of \$0.50 per share and with an expected life of five years to officers, directors and consultants of which 1,006,500 (909,000 in 2010) vested immediately and 123,000 (393,000 in 2010) will vest in three tranches over 18 months. The fair value of each option granted was determined using the Black-Scholes option-pricing model. The weighted-average fair value of the stock options granted was \$0.31 (\$0.46 in 2010) per option. The market price of the Company' share was lower than the exercise price at the grant dates.

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

	2011	2010
Risk-free interest rate	2.40%	2.44%
Expected life	5 years	5 years
Expected volatility	88%	102%
Expected dividend yield	0%	0%
Expected forfeiture rate for the options not vesting immediately	1%	1%

16. COMPENSATION OF KEY MANAGEMENT

The Company has a service agreement with a related party to provide management services to the Company, including senior executives (Note 20).

Key Management includes directors and senior executives. The compensation paid or payable for key management services is presented below:

	2011	2010
	\$	\$
Key Management services and directors fees	1,421,000	1,310,000
Share-based compensation	250,000	405,000
	1,671,000	1,715,000

17. INCOME TAXES

	2011	2010
	\$	\$
Taxes payable		
Quebec refundable credits for mining duties	25,927	(710,994)
Taxes payable on net income for the year	-	-
Total income taxes expense (recovery)	25,927	(710,994)

Deferred taxes

Rise and reversal of temporary differences relating to:

Income taxes	(14,619)	(2,058,402)
Mining taxes	2,770,927	1,107,007
Premium on flow-through share issuance	(1,566,803)	(490,348)
Total deferred taxes	1,189,505	(1,441,743)
Income tax expenses (recovery)	1,215,432	(2,152,737)

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

17. INCOME TAXES (CONT'D)

The income tax provision differs from the amount resulting from the application of the combined Canadian statutory income tax rate. The combined statutory tax rate is the sum of the rate of federal income taxes of 16.5% (18% in 2010), Provincial of 11.9% (11.9% in 2010) and the Quebec mining tax rate of 15% (12% in 2010). The mining tax rate is considered net of income tax on income related thereto of 4.26% (3.6% in 2010).

	2011	2010
	\$	\$
Loss before income tax	(9,105,181)	(7,817,098)
Combined Canadian statutory income tax rate	39.14 %	38.31%
Income tax recovery at the combined statutory income tax rate	(3,563,768)	(2,994,887)
Stock-based compensation	68,650	121,221
Changes in fair value of the available-for-sale investment	57,510	(13,455)
Change in income tax rate	1,358,693	129,350
Non-capital losses expired	80,557	142,071
Non-deductible and other expenses	921,920	441,007
Expenses non-taxable for mining tax	675,726	1,466,796
Unrecognized temporary differences	725,830	(522,000)
Renounced E&E expenses	2,431,190	278,501
Premium on flow-through shares	(1,566,803)	(490,347)
QMD refundable credits	25,927	(710,994)
	1,215,432	(2,152,737)

The increase in the income tax rate is the result of an increase from 12% to 16% in rates used to calculate deferred income taxes relating to mining duties, which had a significant effect on the deferred income tax liability.

The following table presents an analysis of assets and deferred tax liabilities:

	2011	2010
	\$	\$
Deferred tax assets		
Deferred tax assets to be recovered in more than 12 months	(4,447,268)	(3,420,680)
Deferred tax assets to be recovered in less than 12 months	(2,119)	(41,287)
Deferred tax liabilities		
Deferred tax liabilities to be settled in more than 12 months	12,800,819	9,150,699
Deferred tax liabilities to be settled in less than 12 months	300,755	222,734
Deferred tax liabilities, net	8,652,187	5,911,466

The following table presents the evolution of deferred tax account:

	2011	2010
	\$	\$
As at January 1	5,911,466	4,346,770
Amount recognized as an expense in the statement of income (loss)	2,756,307	(951,395)
Tax expense (recovery) related to the share capital	(15,586)	2,516,091
As at December 31	8,652,187	5,911,466

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

17. INCOME TAXES (CONT'D)

The following table shows the changes in deferred tax assets and liabilities during the year, regardless of compensation balances relating to the same taxation authority:

Deferred tax assets

	Non-capital losses	Property and equipment	Asset retirement obligations	Mining tax	Other	Total
	\$	\$	\$	\$	\$	\$
As at January 1, 2010	-	-	-	-	-	-
Amount debited (credited) in the statement of income (loss)	(1,556,675)	(35,687)	(288,810)	(818,067)	(453,017)	(3,152,256)
Amount debited (credited) in the share capital	-	-	-	-	-	-
As at December 2010	(1,556,675)	(35,687)	(288,810)	(818,067)	(453,017)	(3,152,256)
Amount debited (credited) in the statement of income (loss)	(586,717)	(352,953)	(10,396)	(415,639)	84,160	(1,281,545)
Amount debited (credited) in the share capital	-	-	-	-	(15,586)	(15,586)
As at December 31, 2011	(2,143,392)	(388,640)	(299,206)	(1,233,706)	(384,443)	(4,449,387)

Deferred tax liabilities

	Deferred E&E expenditures	Convertibles notes	Mining tax	Other	Total
	\$	\$	\$	\$	\$
As at January 1, 2010	-	-	4,346,770	-	4,346,770
Amount debited (credited) in the statement of income (loss)	2,203,955	1,397,443	1,107,007	(2,507,544)	2,200,861
Amount debited (credited) in the share capital	-	-	-	2,516,091	2,516,091
As at December 31, 2010	2,203,955	1,397,443	5,453,777	8,547	9,063,722
Amount debited (credited) in the statement of income (loss)	1,480,207	(222,734)	2,770,927	9,452	4,037,852
Amount debited (credited) in the share capital	-	-	-	-	-
As at December 31, 2011	3,684,162	1,174,709	8,224,704	17,999	13,101,574

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

17. INCOME TAXES (CONT'D)

Were not recognized in financial statements, deferred tax assets related to unused tax losses which expire from years 2027 to 2031 following:

	2011	2010
	\$	\$
Non-capital losses	1,534,000	757,000
Deferred tax assets	1,534,000	757,000

18. CAPITAL DISCLOSURES

In terms of capital management, the objectives of the Company are to preserve its ability to continue as a going concern and to pursue its mining E&E activity as a going concern. Company's capital includes shareholders' equity, convertible notes and obligations under capital leases reduced by cash and cash equivalents for a total amount of \$67,919,695 (\$63,014,322 in 2010). Management reviews its capital management policies on a going concern approach and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2011. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Company closes a flow-through private placement in which case the funds are restricted in use for E&E expenses. The changes in capital are presented in the statement of changes in equity.

19. FINANCIAL INSTRUMENTS

FINANCIAL RISK FACTORS

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's Management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

(a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and fair value.

(i) Interest risk

The Company has cash balances and the Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. As of December 31, 2011, the Company had no amount (\$10,000,000 as at December 31, 2010) invested in term deposits bearing interest (1.05% as at December 31, 2010).

The obligation under capital leases and the loans payable bear interest at a fixed rate while the convertible debenture does not bear interest. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

19. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Price risk

The Company is exposed to market risk in trading its investment in Pacific Bay, a TSX Venture issuer whose activities are in the mining exploration field. As of December 31, 2011, a 10% decrease (increase) in the price on the stock market would result in an estimated increase (decrease) this available-for-sale investment of approximately \$4,000.

(b) Fair value

The fair value of financial instruments is summarized as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair value
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	3,858,141	3,858,141	15,057,929	15,057,929	2,794,325	2,794,325
Financial assets available-for-sale	40,000	40,000	135,000	135,000	45,000	45,000
Financial liabilities						
Accounts payable and accrued charges	1,192,923	1,192,923	2,907,777	2,907,777	1,697,302	1,697,302
Obligations under finance leases	45,003	45,003	320,247	320,247	328,336	328,336
Loans payable	2,880,007	3,000,000	3,775,843	4,000,000	-	-
Convertible notes	7,073,607	7,361,004	5,588,713	5,903,000	-	-

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

The Company's financial instruments as at December 31, 2011 consist of cash and cash equivalents, financial assets available-for-sale, accounts payable and accrued charges and loans payable, obligations under finance leases and convertible notes. The fair value of these financial instruments is discussed above and approximated their carrying value due to their short maturity and current market rates with the exception of the loans payable and the convertible notes.

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities:
 - financial assets available-for-sale;
- Level two includes inputs that are observable other than quoted prices included in level one:
 - none;
- Level three includes inputs that are not based on observable market data: – none.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

19. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit risk

The financial instruments which expose the Company to market risk and concentrations of credit risk include cash and cash equivalents. The Company invests cash and cash equivalents with a Canadian chartered bank.

(d) Liquidity risk

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its E&E programs. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2011, the Company has a cash and cash equivalents of \$3,858,141 (\$15,057,929 as at December 31, 2010) to settle current liabilities of \$4,087,059 (\$6,958,864 as at December 31, 2010).

As at December 31, 2011, Management estimates that funds available will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2012 (Notes 1 and 23).

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new debt or equity instruments, further expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements.

The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2011 and 2010:

	2011				
	Carrying amount	Contractual cash flows	From 0 to 12 months	From 12 to 24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payables and accrued charges	1,192,923	1,192,923	1,192,923	-	-
Loans payable	2,880,007	3,241,315	3,241,315	-	-
Obligations under finance leases	45,003	51,310	17,592	17,592	16,126
Convertible notes	7,073,607	14,905,000	-	-	14,905,000

	2010				
	Carrying amount	Contractual cash flows	From 0 to 12 months	From 12 to 24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payables and accrued charges	2,907,777	2,907,777	2,907,777	-	-
Loans payable	3,775,843	4,350,685	4,350,685	-	-
Obligations under finance leases	320,247	341,814	290,504	17,592	33,718
Convertible notes	5,588,713	14,905,000	-	-	14,905,000

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

20. RELATED-PARTY TRANSACTIONS

On August 10, 2011, the Company renewed a service agreement, on a monthly basis and effective as of August 1, 2011, with BBH Géo-Management Inc. ("BBH"), a related company because:

- i) the president of BBH is also the president of the Company;
- ii) an officer of BBH is also an officer and director of the Company.

The agreement stipulates that BBH will render management services to the Company including exploration and evaluation work. The Company anticipates a fixed monthly charge of \$5,200 for office rent, office equipment and computers to be reviewed each year on July 31, management fees of 5% on all costs related to E&E programs and capital purchases related to the Matoush property, management fees of 10% on all costs related to E&E programs on the other properties: Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties, and management fees of 5% on all purchases related to E&E projects or option agreements on the Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties.

During the year ended December 31, 2011:

- a) BBH charged:
 - i) consultant and subcontractor fees for \$3,318,000 (\$3,695,000 in 2010) included in the deferred E&E expenditures;
 - ii) management fees:
 - 1) for \$620,000 (\$848,378 in 2010) included in deferred E&E expenditures;
 - 2) for \$62,000 (\$328,841 in 2010) included in property and equipment;
 - iii) fees for a total amount of \$1,157,000 (\$917,000 in 2010);
 - iv) legal fees of \$0 (\$38,000 in 2010) included in issue cost;
 - v) rental fees of \$62,000 (\$62,000 in 2010).
- b) A company controlled by the former chief financial officer and treasurer in function from June 9, 2009 to May 12, 2010, charged accounting fees of \$81,204 for the year ended December 31, 2010.

At December 31, 2011, accounts payable and accrued liabilities include an amount of \$158,000 (\$540,000 at December 31, 2010) owed to BBH. These transactions occurred in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The invoices for BBH are payable upon receipt.

STRATECO RESOURCES INC.

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(in Canadian dollars)

21 SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010
	\$	\$
Non-cash transactions		
Deferred E&E expenditures included in accounts payable and accrued charges	283,747	1,989,471
Additions to property and equipment included in accounts payable and accrued charges	327,556	237,522
Share issue costs included in accounts payable and accrued charges	-	264,414
Tax credits receivable presented as a reduction in deferred E&E expenditures	5,175,763	6,971,322
Property and equipment recorded pursuant to finance leases obligations	-	270,598
Property and equipment recorded pursuant to asset retirement obligations	(19,290)	1,681,958
Depreciation of property and equipment included in deferred E&E expenditures	2,630,619	1,341,037
Units issued for share issue costs, net of the tax impact of \$171,604	-	578,396
Stock-based compensation capitalized in deferred E&E expenditures	139,502	216,186
Shares issuance for acquisition of mining properties	27,720	30,100

22. COMMITMENTS

The following table lists the Company's contractual obligations over the next years ending December 31:

	2012	2013 and thereafter
	\$	\$
Operating leases	138,611	11,386

23. SUBSEQUENTS EVENTS AT THE CLOSING DATE

On February 29, 2012, the Company closed a private placement of 16,025,620 flow-through shares priced at \$0.60 and \$0.65 with a syndicate of agents for gross proceeds of \$9,999,988. In accordance with the terms of the flow-through share subscription agreements, the Company has undertaken to renounce \$9,999,988 in eligible expenditures to eligible investors effective December 31, 2012. The Company paid cash an agents' commission of 5.5% of the gross proceeds of this flow-through private placement.

On February 29, 2012, the Company closed a second non-brokered private placement with Sentient, of 6,000,000 units priced at \$0.50 each for gross proceeds of \$3,000,000. Each unit consisted of one common share and one half of one warrant. Each warrant entitles its holder to purchase one common share at \$0.65 up until March 1, 2014. Sentient received 180,000 additional units, representing 3% of the gross proceeds of the placement, as a transaction fee.

**FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE**

I, Guy Hébert, President and Chief Executive Officer of Strateco Resources Inc., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of *Strateco Resources Inc.* (the “issuer”) for the financial year ended **December 31, 2011**.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings (c. V-1.1, r.27), for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

- (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
- (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the issuer’s ICFR is **the Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO)**.

5.2 N/A

5.3 N/A

6. **Evaluation:** The issuer's other certifying officer(s) and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) N/A
7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on **October 1st, 2011** and ended on **December 31, 2011** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: **March 30, 2012**

(Signed) Guy Hébert

President and Chief Executive Officer

**FORM 52-109F1
CERTIFICATION OF ANNUAL FILINGS
FULL CERTIFICATE**

I, Yvon Robert, Chief Financial Officer of Strateco Resources Inc., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of *Strateco Resources Inc.* (the “issuer”) for the financial year ended **December 31, 2011**.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings (c. V-1.1, r.27), for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the financial year end

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

- (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
- (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the issuer’s ICFR is **the Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO)**.

5.2 N/A

5.3 N/A

6. **Evaluation:** The issuer's other certifying officer(s) and I have
- (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and
 - (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A
 - (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and
 - (ii) N/A
7. **Reporting changes in ICFR:** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on **October 1st, 2011** and ended on **December 31, 2011** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.
8. **Reporting to the issuer's auditors and board of directors or audit committee:** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: **March 30, 2012**

(Signed) Yvon Robert

Chief Financial Officer

GENERAL INFORMATION

DIRECTORS

Guy Hébert

Boucherville, Québec
President and Chief Executive Officer
Strateco Resources Inc.

Marcel Bergeron*

Montréal, Québec
Financial Consultant

Jean-Pierre Lachance

St-Hubert, Québec
Executive and Exploration Vice President
Strateco Resources Inc.

Paul-Henri Couture

Laval, Québec
Sentient Asset Management Canada Ltd

Jean-Guy Masse*

Montréal, Québec
President
Northern Precious Metals Management Inc.

Henri Lanctôt

Town of Mount Royal, Québec

Robert Desjardins*

Montréal, Québec
President
Robert G. Desjardins et Associés Inc.

* **Audit Committee member**

OFFICERS

Guy Hébert, B.Sc.Geo., M.B.A.

President and Chief Executive Officer

Yvon Robert, CA

Chief Financial Officer

Jean-Pierre Lachance, Geo.

Executive & Exploration Vice President

Anne Hébert

Secretary

Pierre H. Terreault, P. Eng., MPM

Vice President Operation & Engineering

SHAREHOLDER INFORMATION

Listing

Toronto Stock Exchange (TSX) - Symbol RSC
Frankfurt Exchange: Symbol RF9

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Transfer Agent and Registrar

Computershare Investors Services Inc.

Auditors

PricewaterhouseCoopers, LLP, s.r.l./s.e.n.c.r.l.

Annual Meeting

May 30, 2012 at 10:30 a.m.
Fairmount Hotel The Queen Elizabeth
Hochelaga 4 Room
900 René-Lévesque Blvd. West
Montreal, Québec H3B 4A5
Telephone: 514 861-3511

Legal Advisors

Gowling Lafleur Henderson LLP

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