



**UNAUDITED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

# STRATECO RESOURCES INC.

## Balance Sheets

(unaudited)

	As at September 30, 2010	As at December 31, 2009
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 4)	1,950,304	321,065
Current portion of tax credits receivable (Note 5)	13,670,029	9,306,880
Sales tax receivable	758,666	334,951
Investment	60,000	45,000
Prepaid expenses and other accounts receivable	409,225	287,348
	<u>16,848,224</u>	<u>10,295,244</u>
NON-CURRENT PORTION OF TAX CREDITS RECEIVABLE (Note 5)	993,359	-
FUNDS RESERVED FOR EXPLORATION (Note 4)	-	2,473,260
MINING PROPERTIES (Note 6)	10,877,720	10,827,687
DEFERRED EXPLORATION EXPENDITURES (Note 6)	44,293,356	36,304,887
PROPERTY AND EQUIPMENT (Note 7)	8,953,976	1,754,666
	<u>81,966,635</u>	<u>61,655,744</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued charges	5,109,255	1,697,302
Loan payable (Notes 8 and 16)	2,500,000	-
Current portion of obligations under capital leases	275,461	156,814
	<u>7,884,716</u>	<u>1,854,116</u>
OBLIGATIONS UNDER CAPITAL LEASES	63,543	171,522
CONVERTIBLE NOTES (Note 9)	5,266,539	-
FUTURE INCOME TAX (Note 10)	923,841	1,293,000
ASSET RETIREMENT OBLIGATIONS (Note 14)	1,341,662	160,000
	<u>15,480,301</u>	<u>3,478,638</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 11)	59,079,501	58,766,177
Equity component of convertible notes (Note 9)	7,683,910	-
Warrants (Notes 9 and 11)	2,091,214	-
Contributed surplus (Note 13)	9,406,408	8,814,337
Deficit	(11,774,699)	(9,403,408)
	<u>66,486,334</u>	<u>58,177,106</u>
	<u>81,966,635</u>	<u>61,655,744</u>

Going concern (Note 1)

See notes to financial statements.

**STRATECO RESOURCES INC.**  
**Statements of Operations, Comprehensive Loss and Deficit**  
(unaudited)

	<b>Three-month periods ended September 30,</b>		<b>Nine-month periods ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	\$	\$	\$	\$
<b>INCOME</b>				
Interest income	5,206	8,203	23,046	51,605
<b>EXPENSES</b>				
General and administrative	311,468	179,744	953,030	608,136
Investor relations and shareholders communications	80,820	169,105	486,161	411,884
Interest and bank charges	12,094	760	13,352	1,803
Interest on obligations under capital leases	8,446	-	26,852	-
Financing fees	86,662	-	86,662	351
Loss before the following items	(494,284)	(341,406)	(1,543,011)	(970,569)
Stock-based compensation	20,499	113,117	381,346	517,229
Accretion expense on convertible notes (Note 9)	303,601	-	774,925	-
Accretion expense on asset retirement obligation (Note 14)	14,856	-	28,118	-
Amortization of property and equipment	10,994	4,455	27,621	12,903
Unrealized gain on changes in fair value of investment	(20,000)	(25,000)	(15,000)	(45,000)
Loss before income taxes	(824,234)	(433,978)	(2,740,021)	(1,455,701)
Future income tax expense (recovery) (Note 10)	24,666	(172,000)	(368,730)	(499,000)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(848,900)	(261,978)	(2,371,291)	(956,701)
<b>Deficit, beginning of the period</b>	(10,925,799)	(9,474,857)	(9,403,408)	(8,780,134)
Net loss	(848,900)	(261,978)	(2,371,291)	(956,701)
<b>Deficit, end of the period</b>	(11,774,699)	(9,736,835)	(11,774,699)	(9,736,835)
<b>NET LOSS PER SHARE, BASIC AND DILUTED</b>	(0.007)	(0.002)	(0.019)	(0.008)
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUSTANDING (in thousands)</b>	122,696	119,266	122,618	119,266

See notes to financial statements.

# STRATECO RESOURCES INC.

## Statements of Cash Flows

(unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(848,900)	(261,978)	(2,371,291)	(956,701)
Non-cash items:				
Stock-based compensation	20,499	113,117	381,346	517,229
Unrealized gain on changes in fair value of investment	(20,000)	(25,000)	(15,000)	(45,000)
Accretion expense on convertible notes	303,601	-	774,925	-
Accretion expense on asset retirement obligation	14,856	-	28,118	-
Amortization of property and equipment	10,994	4,455	27,621	12,903
Future income tax expense (recovery)	24,666	(172,000)	(368,730)	(499,000)
Warrants included in financing fees	13,864	-	13,864	-
	(480,420)	(341,406)	(1,529,147)	(970,569)
Changes in non-cash working capital items				
Accounts receivable	-	(104)	-	(2,737)
Sales tax receivables	(12,408)	(135,432)	(423,715)	(91,624)
Prepaid expenses and other accounts receivable	16,269	37,817	(121,877)	40,281
Accounts payable and accrued liabilities	(106,750)	23,565	(641,321)	64,698
	(102,889)	(74,154)	(1,186,913)	10,618
Cash flow from operating activities	(583,309)	(415,560)	(2,716,060)	(959,951)
<b>INVESTING ACTIVITIES</b>				
Acquisition of mining properties	(9,972)	-	(50,033)	(96,000)
Increase in deferred exploration expenditures	(2,570,128)	(5,173,254)	(10,431,732)	(13,443,115)
Tax credits received	-	722,633	1,151,952	8,310,361
Additions to property and equipment	(1,173,248)	(81,000)	(3,456,143)	(336,814)
Cash flow from investing activities	(3,753,348)	(4,531,621)	(12,785,956)	(5,565,568)
<b>FINANCING ACTIVITIES</b>				
Common shares, warrants and convertible notes issuance (Note 9)	-	-	15,000,000	-
Issue costs	-	-	(190,406)	-
Payments on obligations under capital leases	(58,920)	-	(178,339)	-
Loan payable (Note 8)	2,500,000	-	2,500,000	-
Cash flow from financing activities	2,441,080	-	17,131,255	-
<b>NET VARIATION IN CASH AND CASH EQUIVALENTS</b>				
	(1,895,577)	(4,947,181)	1,629,239	(6,525,519)
Cash and cash equivalents, beginning of the period	3,845,881	9,121,038	321,065	10,699,376
<b>CASH AND CASH EQUIVALENTS AS PRESENTED ON THE BALANCE SHEET, END OF THE PERIOD</b>	<b>1,950,304</b>	<b>4,173,857</b>	<b>1,950,304</b>	<b>4,173,857</b>

Supplemental cash flow information (Note 15)  
See notes to financial statements.

# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

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### 1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the *Canada Business Corporations Act* and is engaged in the acquisition, the exploration and the development of mining properties. It has not yet determined whether the mining properties and the deferred exploration expenditures have economically recoverable ore reserves. Recovery of amounts indicated under mining properties, the deferred exploration 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, development and profitable future production or the proceeds from the sale of such assets.

The accompanying unaudited interim financial statements have been prepared using Canadian GAAP 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 substantial doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These unaudited interim financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and balance sheet classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

For the nine-month period ended September 30, 2010, the Company reported a loss of \$2,371,291 (a loss of \$956,701 for the nine-month period ended September 30, 2009) and has an accumulated deficit of \$11,774,699 at that date. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and development programs and pay general and administration costs. As at September 30, 2010, the Company had working capital of \$8,963,508, including cash and cash equivalents of \$1,950,304. Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through September 30, 2011. 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.

### 2. BASIS OF PRESENTATION

These unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. All figures are in Canadian dollars unless otherwise noted. They present the Company's financial position, operating results and cash flows. The accounting policies used in the audited financial statements at December 31, 2009 also apply to the unaudited interim financial statements, except for the changes described in Note 3. The unaudited interim financial statements do not contain all the information and notes required under Canadian generally accepted accounting principles. They should therefore be read in conjunction with the audited annual financial statements for the year ended December 31, 2009.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material. In the opinion of Management, all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the unaudited interim financial statements.

# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

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### 3. CHANGE IN ACCOUNTING POLICIES

During the nine-month period ended September 30, 2010, the Company adopted the following accounting policies:

#### CONVERTIBLE NOTES

The liability, equity components and others (when applicable) of convertible notes are presented separately on the balance sheet starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments principal 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 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 operations, comprehensive loss and deficit. This long term debt is classified as other liabilities.

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

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the convertible notes. When applicable, the carrying value of the financial liability is first deducted by the carrying amount of any other components. It is presented in Shareholders' Equity as equity component of convertible notes.

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

#### DEBT ISSUE COST

Debt issuance costs are presented as a reduction of convertible notes and are amortized according to the effective interest rate method.

#### INTEREST EXPENSE

The Company does not capitalise the interest expense in the cost of property and equipment for which the acquisition, construction, development or enhancement of are spread over time.

### 4. CASH AND CASH EQUIVALENTS

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	As at September 30, 2010	As at December 31, 2009
	\$	\$
Cash	1,950,304	1,794,325
Term deposits (rate of 0.40% in 2009)	-	1,000,000
Less: Funds reserved for exploration	-	(2,473,260)
	1,950,304	321,065

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# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

### 5. TAX CREDITS RECEIVABLE

	As at September 30, 2010	As at December 31, 2009
	\$	\$
Quebec refundable credit on mining duties at 12%		
2007	100,250	1,275,258
2008	1,501,503	1,501,503
2009	1,079,131	1,061,665
2010 (i)	993,359	-
Refundable credit for resources-related exploration expenses at rates varying from 35% to of 38.75%		
2009	5,752,049	5,468,454
2010	5,237,096	-
	14,663,388	9,306,880
Less: Non-current portion of tax credits receivable	993,359	-
Current portion of tax credits receivable	13,670,029	9,306,880

- (i) Due to delays in the processing of claims for mining duty refunds, the Company does not expect to receive the 2010 refund within the next twelve months.

### 6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Mining properties	Interest	As at December 31, 2009	Additions	As at September 30, 2010
		\$		\$
<b>Matoush Project</b>				
Matoush	100%	338,306	109	338,415
Matoush Extension	100%	1,236	19,151	20,387
Eclat	100%	1,280,807	4,887	1,285,694
Pacific Bay-Matoush	Option 60%	261,277	14,665	275,942
<b>Other Properties</b>				
Mistassini	Option 60%	9,041	393	9,434
Apple	100%	8,937,020	10,828	8,947,848
		10,827,687	50,033	10,877,720

	As at September 30, 2010	As at December 31, 2009
	\$	\$
<b>Deferred exploration expenditures</b>		
Deferred exploration expenditures	43,294,033	36,092,123
Exploration supplies	999,323	212,764
	44,293,356	36,304,887

# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

### 6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONT'D)

Deferred exploration expenditures	As at	Additions	Tax credit	As at
	December 31, 2009			September 30, 2010
	\$	\$	\$	\$
<b>Matoush project</b>				
Matoush	31,935,634	8,244,348	(3,999,490)	36,180,492
Matoush Extension	453,340	29,884	(13,776)	469,448
Eclat	997,781	5,245,640	(2,418,240)	3,825,181
Pacific Bay-Matoush	812,577	121,891	(56,192)	878,276
<b>Other projects</b>				
Mistassini	490,719	10,079	(11,912)	488,886
Apple	1,402,072	58,528	(8,850)	1,451,750
	36,092,123	13,710,370	(6,508,460)	43,294,033

### 7. PROPERTY AND EQUIPMENT

	Accumulated		Net carrying	Net carrying
	Cost	amortization	value as at September 30, 2010	value as at December 31, 2009
	\$	\$	\$	\$
Entrance and access ramp	544,859	-	544,859	-
Fuel tanks	668,085	(495,428)	172,657	266,818
Camp and infrastructure	7,238,975	(237,801)	7,001,174	333,282
Road	203,527	(142,469)	61,058	91,586
Rolling stock	276,900	(215,144)	61,756	44,093
Machinery	120,764	(120,764)	-	3,358
Equipment	990,178	(448,339)	541,839	519,783
Computer equipment	368,819	(214,271)	154,548	162,307
Leasehold improvements	8,335	(5,316)	3,019	5,103
Camp and infrastructure under capital lease	397,828	(98,501)	299,327	328,336
Equipment under capital lease	133,146	(19,407)	113,739	-
	10,951,416	(1,997,440)	8,953,976	1,754,666

The amounts of property and equipment that were purchased, delivered or are under construction on the Matoush project site and which were not amortized as of September 30, 2010 were: \$544,859 in entrance and access ramp and \$4,279,043 in camp and infrastructure.

Amortization expense relating to property and equipment under capital lease of \$117,908 was capitalized in deferred exploration expenditures for the nine-month period ended September 30, 2010.



# **STRATECO RESOURCES INC.**

## **Notes to Unaudited Interim Financial Statements**

September 30, 2010

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### **8. LOAN PAYABLE**

The Company received a \$2,500,000 loan from SIDEX, Limited Partnership, ("SIDEX") on September 15, 2010. The loan is secured by the 2009 refundable credit for resources-related exploration expenses and must be repaid within 30 days from the receipt of the 2009 refundable credit for resources-related exploration expenses (Note 4) or by March 15, 2011. The loan bears interest 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 the warrants 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 1.5 years.

The loan was repaid in full on October 8, 2010 (Note 16).

### **9. CONVERTIBLE NOTES**

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 \$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.

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 Unaudited Interim Financial Statements

September 30, 2010

### 9. CONVERTIBLE NOTES (CONT'D)

When initially booked, 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 \$8,055,436. 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. For the nine-month period ended September 30, 2010, an increase due to the accretion of \$471,324 was recorded in the statement of operations, comprehensive loss and deficit. This entry does not have an impact on the Company's cash position. The notes do not bear interest and therefore there are no cash interest payments. Subsequently, the Company evaluated the fair value of the warrants with the same methodology and assumption 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 included in 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, first the Company evaluated the fair value of \$103,558 for the warrants with the same methodology and assumptions as the warrants issued with the units and then attributed the residual value of \$646,441 to the common shares issued. Professional fees and issuance fees 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.

### 10. INCOME TAXES

On December 8, 2009, the Company issued 2,500,000 flow-through shares for gross proceeds of \$2,500,000. Under the flow-through share agreements, the Company agreed to renounce \$2,500,000 in 2010 of qualifying expenditures to the investors effective December 31, 2009.

Under CICA EIC-146, *Flow-through shares*, the Company is required to record a provision at the time the actual renunciation forms are filed with the tax authorities, by an increase in the share issue expenses relating to the flow-through shares. The Company has estimated that the future income taxes recorded at the time of renunciation are \$415,000. Consequently, the Company has recognized share issue expenses and an increase in future income tax liability of \$415,000 at the time of renunciation in the three-month period ended March 31, 2010.

Accordingly, the Company has recognized an income tax recovery of \$415,000 in the three-month period ended March 31, 2010 which correspond to the taxable temporary differences, which arose through the issuance of the flow-through shares in December 2009 and renounced in 2010.

### 11. CAPITAL STOCK AND WARRANTS

Changes to the capital stock for the period are shown in the following table:

	Nine-month period ended September 30, 2010	
	Number	Amount
		\$
Balance, beginning of the period	121,806,432	58,766,177
Private placement (Note 9)	100,000	81,883
In consideration of issue costs (Note 9)	789,474	646,441
Issue costs – future income taxes (Note 10)	-	(415,000)
Balance, end of the period	122,695,906	59,079,501

# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

### 11. CAPITAL STOCK AND WARRANTS (CONT'D)

Changes to the warrants for the period are shown in the following table:

	Nine-month period ended September 30, 2010		
	Number	Weighted-average exercise price	Amount
Balance, beginning of the period	-	\$ -	\$ -
Private placement (Note 9)	7,894,737	1.00	2,068,592
In consideration of issue costs (Note 9)	394,737	1.00	103,558
Issue costs net of tax impact of \$34,886	-	-	(94,800)
Loan financing (Note 8)	300,000	1.00	13,864
Balance, end of the period	8,589,474	1.00	2,091,214

Outstanding warrants as at September 30, 2010, are shown in the following table:

Number of warrants	Exercise price	Expiry Date
8,289,474	\$1.00 till January 27, 2012 and \$1.05 till January 27, 2013	January 27, 2013
300,000	\$1.00	March 15, 2012
8,589,474		

# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

### 12. STOCK OPTION PLAN

Outstanding and exercisable stock options as at September 30, 2010, are shown in the following table:

Number of outstanding options	Number of exercisable options	Exercise price \$	Expiry date
400,000	400,000	0.20	December 20, 2010
175,000	175,000	0.40	January 24, 2011
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
30,000	30,000	3.20	June 27, 2012
120,000	120,000	2.72	July 14, 2012
30,000	30,000	3.20	July 29, 2012
300,000	300,000	2.10	March 18, 2013
718,000	718,000	2.04	April 13, 2013
145,000	145,000	2.04	August 14, 2013
15,000	15,000	2.04	September 25, 2013
75,000	75,000	2.04	October 29, 2013
7,500	7,500	2.04	November 24, 2013
1,012,500	979,166	1.00	June 8, 2014
7,000	4,666	1.00	September 14, 2014
7,000	2,333	1.00	November 9, 2014
44,000	16,999	1.00	January 4, 2015
300,000	-	1.00	May 4, 2015
500,000	500,000	1.00	May 26, 2015
458,000	409,000	1.00	June 6, 2015
5,459,000	5,042,664		

During the nine-month period ended September 30, 2010, stock-based compensation expense of \$381,346 for the vested options was recorded in the statement of operations and \$210,725 was capitalized to deferred exploration expenditures with an offsetting increase recorded in contributed surplus.

During the nine-month period ended September 30, 2010, the Company granted 1,302,000 stock options (1,070,500 in 2009) at a strike price of \$1.00 per share and with a life of five years to officers, directors, consultants and employees of service providers, of which 909,000 (963,500 in 2009) vested immediately and 393,000 (107,000 in 2009) 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 \$0.46 (\$0.41 in 2009) per option. The market price of the Company' share was lower than the strike price at the grant dates.

**STRATECO RESOURCES INC.**  
**Notes to Unaudited Interim Financial Statements**  
September 30, 2010

**12. STOCK OPTION PLAN (CONT'D)**

The following weighted average assumptions were used in the calculations:

	<b>Nine-month periods ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
Risk-free interest rate	2.44%	1.89%
Expected life	5 years	2 years
Expected volatility	102.16%	97.08%
Expected dividend yield	0%	0%

**13. CONTRIBUTED SURPLUS**

A summary of changes of the Company's contributed surplus is presented below:

	<b>Nine-month period ended September 30, 2010</b>
	<b>\$</b>
Balance, at beginning of the period	8,814,337
Stock-based compensation	592,071
Balance, at end of period	9,406,408

**14. ASSET RETIREMENT OBLIGATIONS**

	<b>Nine-month period ended September 30, 2010</b>
	<b>\$</b>
Balance, at beginning of the period	160,000
Accretion of asset retirement obligations	28,118
New obligations	1,153,544
Balance, at end of the period	1,341,662

The estimated undiscounted cash flow required to settle the asset retirement obligations is \$1,893,000. A discount rate of 15% was used to estimate the new obligations and the calculation uses the assumption that the disbursements necessary to settle the new obligations would be made in 2013, which is the anticipated timing of the final production decision.

The Company added new obligations in 2010 to dismantle the Matoush camp and infrastructure and restore the site to its original state for \$1,693,000. The discounted present value of these obligations was recorded in camp and infrastructure for \$1,153,544.

The accretion expense is recorded in the statement of operations, comprehensive loss and deficit and increases the obligation. There was no impact on the Company's cash position in the period as a result of the obligation or the accretion expense.

# STRATECO RESOURCES INC.

## Notes to Unaudited Interim Financial Statements

September 30, 2010

### 15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Non-cash transactions:				
Deferred exploration expenditures included in accounts payable and accrued charges	1,838,793	1,157,873	1,838,793	1,157,873
Additions to property and equipment included in accounts payable and accrued liabilities	3,043,301	-	3,043,301	-
Tax credits receivable presented as a reduction of deferred expenditures	1,297,421	1,973,177	6,508,460	6,403,284
Property and equipment recorded pursuant to a capital lease obligation	-	-	189,007	-
Property and equipment recorded pursuant to an asset retirement obligation	878,776	-	1,153,544	-
Amortization of property and equipment included in deferred exploration expenditures	226,397	104,545	615,064	295,409
Future income tax included in common share issue costs	-	-	415,000	-
Units issued for share issue costs net of the tax impact of \$171,604	-	-	578,396	-
Stock based compensation capitalized in deferred exploration expenses	41,381	-	210,725	169,945
Cash transactions:				
Interest received	5,205	9,246	64,091	23,128

### 16. SUBSEQUENT EVENTS

The Company received its 2009 refundable credit for resources related to exploration expenses of \$5,752,049 (Note 5) on October 8, 2010.

Also, on October 8, 2010, the Company repaid in full the \$2,500,000 loan from SIDEX, plus interest of \$14,178 (Note 8).

### 17. COMPARATIVE FIGURES

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