



2009 MANAGEMENT DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

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STRATECO RESOURCES INC.

Management Discussion and Analysis

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SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

The following analysis should be read in conjunction with the audited annual financial statements of Strateco Resources Inc. (the "Company") and notes thereto for the years ended December 31, 2009 and 2008. The financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). All amounts are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements that reflect Management's current expectations with regard to future events. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. 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 uranium price volatility, risks inherent in the mining industry, uncertainty in the estimation of mineral resources and additional funding requirements, as well as the Company's ability to secure such funding.

INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the *Canadian 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 five wholly-owned mining properties, as well as an interest in or options on three mining properties in Quebec. These properties comprise 1,068 claims for a total area of 56,747 hectares (567 km²). The Company's activities are focused on the development of the Matoush project, which consists of four uranium properties. With the exception of some projects in the Athabaska 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 Company's ability to discover economically mineable reserves and obtain the funding required to pursue exploration and development of its properties, and profitable future production or the proceeds from the sale of the properties. The Company must periodically obtain new funds in order to pursue its activities. While it has always succeeded in doing so in the past, there can be no assurance that it will continue to do so in the future.

This management discussion and analysis contains "forward-looking statements", particularly statements that reflect the Company's opinions, estimates and expectations with regard to future events or results. Such forward-looking statements provide no assurance as to future results or events, and involve a number of risks and uncertainties beyond the Company's control that may cause actual or future results and event to differ materially from those presented in or implied by such forward-looking statements. These risks and uncertainties are described in the annual information form filed with the securities commissions of Quebec, Ontario, Alberta and British Columbia and the 10-K form filed annually with the United States Securities and Exchange Commission.

2009 HIGHLIGHTS

The Company had an excellent year in 2009. The sustained efforts of its highly qualified, dedicated team resulted in considerable progress on the Matoush project development. Thanks to its strong potential and very high, consistently-impressive grades, this project is clearly on its way to becoming a world-class uranium mining camp.

In terms of exploration, the Company focused on the development of its best uranium project, the Matoush project. Located in the Otish Mountains of northern Quebec, about 275 km north of Chibougamau, the project comprises the Matoush, Matoush Extension, Eclat and Pacific Bay-Matoush properties.

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Once again, work yielded excellent results, in particular the discovery of new mineralized zones on the Eclat property. These results confirmed the enormous potential for increasing the resource on the Matoush and Eclat properties along the Matoush fault, which extends over a distance of more than 15 km. Consequently, the 2009 surface exploration program was augmented from 30,000 to 35,000 metres of drilling.

According to the most recent resource estimate by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") dated September 1st, 2009, the indicated resource at the Matoush property has doubled in 12 months to 436,000 tonnes grading 0.78% U₃O₈ containing 7.46 million pounds of U₃O₈. The inferred mineral resource is estimated at 1.16 million tonnes grading 0.50% U₃O₈ containing 12.78 million pounds of U₃O₈. These results attest to the robustness of the Matoush deposit, and have raised the bar much higher in terms of attainable objectives.

Due to the ever-growing potential of the Matoush project, the Company's objective is now to determine the possibility of reaching 60 million pounds of U₃O₈. Outside of the Athabaska Basin in Saskatchewan, the Matoush property appears to have one of the highest average ore grades in the world.

On the engineering front, 2009 was marked by the completion of multiple detailed plans required for the Matoush project underground exploration program. The Company finalized the technical documentation and applied to the Canadian Nuclear Safety Commission (CNSC) for the licence required to begin driving the exploration ramp. Once it obtains this licence, the Company will become the first Quebec company and first so-called junior company in Canada in this uranium cycle to advance a uranium exploration project to the underground exploration stage.

The Company also completed and filed the hefty environmental impact study for the underground exploration phase of the Matoush project. The completion of this study is a major step forward for the Matoush project, particularly as the study concludes that the project will have a negligible impact on workers, the local population and the environment. The study contents will be presented and discussed at public hearings to be held on dates set jointly by the provincial review committee ("COMEX"), which administers the James Bay Agreement, and the federal review panel ("COFEX").

The Operations and Engineering department also obtained the permit required to build a landing strip on the Matoush property. The strip will facilitate the transportation of the manpower and equipment required for operations at the Matoush project site to move forward.

Despite financial market woes, the Company closed two major financings in 2009. The month of December started with the closing of a \$2.5 million financing and ended with discussions that led to the closing of a \$15 million financing in January 2010.

On June 9, 2009, the Company's Board of Directors appointed Ingrid Martin, CA, as the Company's new Treasurer and Chief Financial Officer.

Finally, throughout 2009, there were multiple initiatives aimed at maintaining and strengthening communications with the Mistissini Cree and citizens of Chibougamau and Chapais. The opening of offices in Mistissini and Chibougamau, the creation of the position of Community Affairs Manager and involvement in the *Conférence régionale des élus de la Baie-James* ("CREBJ") are just some indications of how important openness, transparency and the dissemination of information are for the Company. The Company took the measures required to publicise the main aspects of the Matoush project, demystify uranium and respond to the public's questions and concerns.

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FINANCING

On December 8, 2009, the Company announced the closing of a non-brokered private placement of flow-through common shares, with an insider holding more than 10% of the share capital of the Company through a related fund and accredited investor for an aggregate amount of \$2.4 million, and with another accredited investor for an amount of \$100,000. The private placement consists of 2,500,000 flow-through common shares issued at a price of \$1.00 per share for a total of \$2.5 million.

The Company paid finder fees of \$100,000. All the securities issued pursuant to the placement are subject to a hold period of four months and one day from the date of closing.

The Company is using the flow-through proceeds to incur eligible exploration expenses on its Matoush project.

Discussions initiated in December 2009 then led to the closing of a \$15 million financing on January 27, 2010. The financing was subscribed by Sentient Executive GP III, Limited acting for two funds from Cayman Islands ("Sentient"), an independent equity fund that manages over US \$1.3 billion in natural resource sector investments.

Pursuant to the financing, Sentient subscribed to 100,000 units at \$0.95 per unit for an amount of \$95,000. Each unit consists of one common share ("share") of the Company and half a warrant. Each warrant ("warrant") entitles its holder to purchase one share of the Company 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. On closing, the Company issued 100,000 shares and 50,000 warrants in consideration of the subscription of units.

Sentient also subscribed to 14,905 convertible notes for an amount of \$14,905,000 that mature on February 27, 2015. Each tranche of \$1,000 in notes is accompanied by 527 warrants for a total of 7,844,737 warrants with the same exercise conditions as the warrants included in the units.

Up until the notes mature, Sentient has the option of converting the notes in blocks of \$1,000 for 1,053 shares on the basis of the conversion price of \$0.95 per share, for a total of 15,689,474 shares.

The Company paid Sentient transaction fees equal to 5% of the gross proceeds of the private placement. These transaction fees in the amount of \$750,000 were paid through the issuance on closing of 789,474 units, or 789,474 shares and 394,737 warrants with the same exercise conditions as the warrants included in the units.

The Company intends to use the net proceeds of the private placement to finance exploration work, mainly for the acquisition of materials and infrastructure for its Matoush uranium project.

Should the notes be fully converted, Sentient would own 16,578,948 common shares, or 11.98% of the total number of issued and outstanding shares; in the event that all the warrants are also exercised, Sentient's holdings would increase to 24,868,422 common shares, or 16.48% of the total number of issued and outstanding shares.

EXPLORATION ACTIVITIES

The technical data in the following text is based on a report entitled: *Technical Report on the Mineral Resources Update for the Matoush Uranium Project Central Quebec, Canada*, dated September 16, 2008, prepared in accordance with *National Instrument 43-101 respecting standards of disclosure for mineral projects* ("NI 43-101"). This data has also been reviewed by the authors of the report, David A. Ross, M. Sc. P. Geo. and R. Barry Cook, P. Eng. of Scott Wilson RPA. The technical data in the following text is also based on a memorandum entitled *Matoush Mineral Resource Update*, dated September 18, 2009, and reviewed by David A. Ross, M. Sc. P. Geo. of Scott Wilson RPA. The technical data based on recent information has been reviewed by Jean-Pierre Lachance, Executive Vice President of the Company. All three are qualified persons as defined in NI 43-101.

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The Company is qualified for Quebec refundable tax credits of up to 38.75% and a Quebec refundable credit on duties of 12% of all eligible exploration expenses. The estimated value of such credits receivable at December 31, 2009, is \$6,530,119.

PROJECTS AND NEW ACQUISITIONS

At December 31, 2009, the Company had a portfolio of five wholly-owned mining properties and an interest in and options on three mining properties in Quebec. These properties total 1,068 claims for a total area of 56,747 hectares (567 km²).

ECLAT PROPERTY

The Company acquired a 100% interest in the 90 claims of the Eclat property for all mineral substances except diamonds on June 15, 2009, when it made the final \$96,000 payment before the fourth anniversary of the date of the agreement signed on July 6, 2005 with Vija Ventures Corporation (“Vija”). The property is subject to a 2% NSR royalty on any production, payable to Vija for all minerals except diamonds, and a 2% share of the gross proceeds from the future sale or disposition of the carbon emissions rights related to uranium production on the property, payable to Vija.

PACIFIC BAY-MATOUSH PROPERTY

On October 22, 2009, the Company notified Pacific Bay Minerals Ltd. (“Pacific Bay”) that it had incurred cumulative exploration expenses of \$1.5 million before the date of the second anniversary of the option and joint venture agreement dated October 29, 2007, and completed more than the required cumulative minimum of 5,000 metres of drilling on the Pacific-Bay Matoush property.

Pursuant to the terms of the agreement, the Company also issued 40,000 common shares at \$0.86 per share to Pacific Bay on that date, as well as a cash payment of \$100,000.

To acquire an undivided 60% interest in the Pacific Bay-Matoush property, the Company must still issue a total of 120,000 common shares, make cash payments totalling \$300,000, incur an additional \$1.5 million in exploration expenses and complete an additional 5,000 metres of drilling before the fourth anniversary of the date of the agreement.

MISTASSINI PROPERTY

The Mistassini property located in the Otish Mountains at about 40 km south west of Matoush property consists of 171 claims covering a surface area of 9,114.47 hectares (91.15 km²).

On November 24, 2008, the Company and Majescor Resources Inc. (“Majescor”) signed an option and joint venture agreement retroactive to February 14, 2008, for the Company to earn an undivided 60% interest in Majescor’s uranium rights on the Mistassini property by incurring an aggregate of \$1.3 million in exploration expenditures over three years for a total firm commitment of \$500,000 for Year 1 of the option. The remaining \$800,000 in exploration expenses will be incurred equally in Year 2 and Year 3.

Northern Superior Resources Inc. which holds 100% of rights on diamonds and 50.5% of minerals rights other than uranium in the Mistassini property, is entitled upon production to a 2.0% Yellow Cake Royalty.

As of February 14, 2009, on the first anniversary of the Option Agreement, the Company had met its obligations in spending more than \$500,000 in exploration expenses on the Mistassini property.

EXPLORATION

In 2009, the Company continued to focus its efforts on the exploration and development of its best uranium project, the Matoush project, using advanced exploration methods. The Company drilled 75 holes on its various properties for a total of

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35,026 metres of drilling, including 34,240 metres on the Matoush project. Most notably, the holes drilled on the Matoush project resulted in the doubling of the indicated mineral resource to 7.46 million pounds of U_3O_8 at the high grade of 0.78% U_3O_8 .

The true width of the mineralized intersections of the holes drilled in 2009 has not yet been determined.

In order to describe the exploration work conducted on its uranium properties in detail, the Company must include in this management discussion and analysis a description of the techniques used and required for exploration work, namely: (i) analytical procedures used in the exploration program; (ii) sampling methods; (iii) quality assurance and control (including information on the use of the letter “e” in eU_3O_8 , which represents the **estimated** or **equivalent** U_3O_8 value determined using a calibrated spectral or gamma probe); (iv) the methodology for the use of the gamma probe; and, finally, (v) a comparison of eU_3O_8 and U_3O_8 results.

This technical description can be found in **NOTE 1** following the section entitled “Strategy and Action Plan” on page 15 of this management discussion and analysis and in the *QA/QC* section under the *About Strateco* tab on the Company’s website, at www.stratecoinc.com.

EXPLORATION – MATOUSH PROJECT

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

The Matoush project in the Otish Mountains of northern Quebec, about 275 km north of Chibougamau, consists of the wholly-owned Matoush property, the wholly-owned Matoush Extension property, the wholly-owned Eclat property, and the Pacific-Bay-Matoush property, where the Company has an option to earn a 60% interest. The Matoush project currently comprises 590 claims covering a total area of 31,213 hectares (312 km²).

In 2009, 68 holes totalling 34,240 metres were drilled on the Matoush project as a whole. Drilling was distributed as follows: 26,144 metres in 44 holes on the Matoush property; 4,375 metres in 11 holes on the Eclat property, and 3,721 metres in 13 holes on the Pacific Bay-Matoush property. No drilling was done on the Matoush Extension property. In all, 160,216 metres (378 holes) have been drilled on the Matoush project since exploration began in 2006.

The 2009 drilling program began in early February on the Matoush project, with two drills in operation. One drill was assigned to drilling on the southern extension of the MT-34 zone, about 1 km away from that zone, with the goal of identifying a new lens at a depth of between -400 and -650 metres. The second drill was first mobilized on the Pacific Bay-Matoush property to drill 1,500 metres in the Rabbit Ears South area, and was then moved in early March to an area of the Eclat property 9.5 km south of the MT-34 zone, near Hole EC-08-01, which returned very interesting results in the winter of 2008.

Drilling was temporarily suspended during the spring thaw, from April 27 to May 27. Drilling then resumed, with two drills operating on the properties, as well as one helicopter-borne drill for holes drilled on the Mistassini and Pacific Bay-Matoush properties. Besides the exploration holes, five geotechnical holes totalling 526 metres were drilled as part of the preparatory work for the underground exploration program. The 2009 drilling program ended on November 26.

Matoush Property

The drill results for the first quarter of 2009 were promising, particularly south of the MT-34 zone. Hole MT-09-006, drilled 1 km away from the heart of the MT-34 zone on Section 46 + 00S, intersected a 8.9-metre zone strongly altered in fuschite with the presence of pitchblende and uranophanes. This intersection graded 0.27% U_3O_8 over 9.5 metres, including 0.97% U_3O_8 over 1.2 metres.

In the second quarter, another eight holes were drilled in the MT-06 area on a 100-metre grid to test the continuity of the Hole MT-09-006 intersection. The best hole was MT-09-009, drilled to a vertical depth of -600 metres along the presumed plunge of MT-09-006, 100 metres away. It intersected 0.11% U_3O_8 over 2.4 metres at the level of the fault.

Early in June, one of the two drills in operation on the Matoush property was assigned to the MT-34 zone area. Due to the very high grades obtained in Hole MT-08-034 (1.36% U_3O_8 over 27.5 m including 6.03% U_3O_8 over 4.8 m) relative to the

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other grades and thicknesses for the zone, the influence of Hole MT-08-034 in the September 2008 resource estimate done by Scott Wilson RPA was voluntarily limited.

Furthermore, because a 50 m x 70 m drill grid was used in the area of MT-08-034 in 2008, this resource could not be categorized as an indicated resource.

Four holes were drilled in the upper part of the MT-34 zone in June 2009. Three of the four holes intersected high grades over considerable intervals.

Hole MT-09-012, whose pierce point lies just a few metres from Hole MT-08-050 due to strong deviation, returned an intersection of 0.69% U_3O_8 over 25.5 metres, including 1.44% U_3O_8 over 7.2 metres while Hole MT-08-50 previously intersected 0.44% eU_3O_8 over 21.6 m, including 1.88% eU_3O_8 over 1.8 metres, with chemical analysis showing 0.49% U_3O_8 over 21.3 m, including 1.99% U_3O_8 over 2.0 m.

Hole MT-09-016, whose pierce point lies midway between holes MT-08-050 and MT-08-034, returned an intersection of 0.56% U_3O_8 over 25.8 metres, including 0.94% U_3O_8 over 12.5 metres.

In the third quarter of 2009, drilling continued steadily on the Matoush property, with two drills in operation. One drill (1419) was dedicated to definition drilling on the MT-34 zone to improve data quality in preparation for a new resource estimate. The second drill (1420) was essentially used for exploration drilling on the southern extension of the MT-34 zone (widely-spaced holes).

The closely-spaced holes drilled on the MT-34 zone returned excellent results overall, confirming and increasing confidence in the geological continuity and high grades, as can be seen by the increase in the indicated resource and grades in the new September 2009 resource estimate.

In addition to the definition drilling, the results for the 12 exploration holes drilled to the south of the AM-15 zone in the ACF-3 and south of the MT-34 zone in the upper ACF-4 confirmed the new-zone discovery potential. Of the three holes drilled approximately 400 metres south of the AM-15 zone in the ACF-3 (MT-09-030, 031, 032), Hole MT-09-030 proved the most encouraging, with a mineralized intersection of 3.9 metres grading 0.26% U_3O_8 . The nine holes drilled in the ACF-4 over a distance of 1,800 metres along strike, relatively loosely spaced at about 200 metres, all intersected the Matoush fault and an alteration halo typical of the one around the mineralized zones. The three last holes (MT-09-035 to 038), drilled in virgin ground, proved the most interesting, with intersections of 0.17% U_3O_8 over 2.0 metres in Hole MT-09-035 and 0.48% U_3O_8 over 4.2 metres in Hole MT-09-036.

Eclat Property

Aside from Hole EC-09-04, which had to be abandoned due to excessive deviation, four holes were drilled on the Eclat property in the first quarter. Hole EC-09-05 proved very revealing, both because it intersected two mineralized zones with particularly strong tourmaline and fuschite alteration, and because of the analytical results for the two zones, which lie 20 metres apart. The zones returned values of 0.16% U_3O_8 over 2.4 metres and 0.11% U_3O_8 over 1.5 metres. Hole EC-09-06 intersected a zone of 0.15% U_3O_8 over 1.5 metres.

The results for holes MT-09-06 and EC-09-05, drilled 200 metres apart with pierce points at the same elevation, clearly indicate the mineral potential of the Matoush fault, which has been traced by drilling over a distance of more than 15 km. This confirms that the deposition mechanisms for the uranium mineralization are not limited to the area of the AM-15 zone.

The similarities between the two mineralized zones in terms of degree of alteration, local presence of pitchblende mineralization in shear zones and proximity to mafic intrusives in the Matoush fault, and the marked similarities of the texture and nature of these mafic intrusives to those found around the mineralized zones, are impressive.

The almost carbon-copy nature of these hydrothermic systems and the reducing agents supports the presence of mineral potential along the entire length of the Matoush fault, and confirms the potential for discovery of new mineralized zones at the Matoush project.

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Three holes were drilled on the Eclat Nord property in the third quarter, but with mitigated results. Holes ECN-09-01, 02, 03, drilled on a 150-metre grid about 1.5 km north of the AM-15 zone, intersected the Matoush fault but no mineralization despite the presence of strong alteration.

In the fourth quarter, two holes, EC-09-07 and EC-09-08, were drilled on the Eclat Sud property. Measuring 600 metres and 570 metres long respectively for a total of 1,170 metres, the two holes intercepted the Matoush fault, as well as interesting uranium values. Hole EC-09-07, drilled on section 64+50 S, intersected 7.5 metres grading a weighted average of 0.05% U_3O_8 . Hole EC-09-08, drilled on section 66 + 50 S, intersected two zones, the first 2.5 metres thick grading an average of 0.09% U_3O_8 , and the second 15.5 metres thick grading an average of 0.04% U_3O_8 . The pierce points for the two holes were located about 460 metres below surface.

Pacific Bay-Matoush Property

In the first quarter, five holes were drilled to test for a major structure like the Matoush fault in the “Rabbit Ears South” area on the Pacific Bay-Matoush property. Hole PB-09-02 proved to be of particular interest, intersecting a major clay-rich breccia structure several metres thick. Despite the absence of mineralization and of the mafic dikes characteristic of the Matoush fault, the presence of this strongly brecciated structure indicates potential for the discovery of a structure similar to the Matoush fault. This area lies 10 km east of the Matoush fault.

Following the completion of drilling on the Mistassini property in late June, the Company took advantage of the availability of the helicopter-borne drill to drill a 200-metre hole on a section of the Pacific Bay-Matoush property, which consists of four mining claims in the possible extension of the Matoush fault, 3 km south of the Eclat property. The presence of the Matoush fault was confirmed by drilling in April 2008 less than 200 metres from the southern border of the Eclat property with a property belonging to Cameco Corporation (“Cameco”).

In the third quarter, seven holes were drilled on the Pacific Bay-Matoush property, but the results were inconclusive. Four holes were drilled to trace the Matoush fault, which becomes diffuse north of the Eclat Nord property. No remarkable structures were identified. Three holes were drilled to test a linear geophysical anomaly on the “Rabbit Ears” area, about 3 km east of the AM-15 zone, but failed to locate any structures of note. Work ended on the property in September.

Report and recommendation preparation began in the fourth quarter, to determine future work to be done on the Pacific Bay-Matoush property.

Matoush Extension Property

Exploration work in 2009 on the Matoush Extension property was limited to prospecting in the summer.

Mistassini Property

At the end of June, the Company carried out a short drilling program, as planned, on the Mistassini property, which is located 50 km southwest of the Matoush property in the Otish Mountains and where the Company has an option to acquire a 60% interest in the uranium rights.

This drilling program took place from June 10 to June 28. Seven holes were drilled for a total of 786 metres. The goal of the program was to begin testing the strike and dip extensions of the Lac Mantouchiche uranium showing (“Mantouchiche showing”), based on the interpretation by Jeremy S. Brett of MPH Consulting Ltd. of a high-resolution magnetic and electromagnetic survey conducted in January 2009.

The drill holes tested three areas in the immediate vicinity of the Mantouchiche showing, over a total strike length of 125 metres. Two holes were drilled on each section to test the strike extensions 50 metres to the west and 75 metres to the east of the Mantouchiche showing. Holes MIST-09-03 and 04 were drilled along the same section as discovery hole MIST-07-03.

The results obtained were highly encouraging, with a new uranium-bearing zone discovered in the immediate vicinity of the Mantouchiche showing. Hole MIST-09-03, drilled at an angle of -45° , intersected 11.6 metres grading 0.21% U_3O_8 .

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including 0.8 metres at a grade of 2.20% U_3O_8 . This new uranium-bearing zone is located in the hanging wall of the Mantouchiche showing, at a vertical depth of 32 metres. The Mantouchiche showing discovery hole, MIST-07-03, was drilled at an angle of -70° on the same section as Hole MIST-09-03, and intersected 18.5 metres grading 0.215% U_3O_8 at a vertical depth of 47 metres.

A second drill hole, MIST-09-04, drilled on the same section at a -70° angle, confirmed the vertical extension of the new uranium-bearing zone, with an intercept of 13.5 metres grading 0.06% U_3O_8 , including 0.12% U_3O_8 over 5.3 metres at a vertical depth of 40 metres. The extension of the Mantouchiche showing was also intersected in Hole MIST-09-03 at a vertical depth of 64 metres, with an intercept of 11.6 metres grading 0.21% U_3O_8 , including 0.81% U_3O_8 over 2.5 metres.

Holes MIST-09-01, 02, 05 and 06, drilled to test the strike extensions of the Mantouchiche showing, intersected anomalous U_3O_8 values. The last hole of the program, MIST-09-07, drilled along the same section as MIST-09-05 and 06, failed to confirm the strike extension of the new zone.

Given the positive results of the drilling program, further exploration work will likely be carried out over the coming year following structural and geological interpretation. A ground geophysical survey will first be conducted to test for the possible presence of high-grade uranium lenses preferentially aligned along a north-south axis.

Apple Property

The Company did not conduct any exploration on the Apple property in 2009 but compilation work has been executed.

RESOURCE ESTIMATION (MATOUSH PROPERTY)

On September 18, 2009, Scott Wilson RPA issued an updated *NI 43-101*-compliant resource estimate for the Matoush project based on drill results available as of September 1, 2009 and using similar methods as applied in the previous estimate (Scott Wilson RPA, Sept. 2008).

A **Mineral Resource** is a mineralized concentration or occurrence of natural solid inorganic material, or natural solid fossilized organic material, in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

An **Inferred Mineral Resource** is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An **Indicated Mineral Resource** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

This estimate showed a significant increase in the indicated resource as well as the uranium grade on the Matoush property. At a cut-off grade of 0.10% U_3O_8 , the indicated mineral resource is estimated at 436,000 tonnes grading 0.78% U_3O_8 containing 7.46 million pounds U_3O_8 . The inferred mineral resource is estimated at 1.16 million tonnes grading 0.50% U_3O_8 containing 12.78 million pounds U_3O_8 . These mineral resources lie in the AM-15, MT-34 and MT-22 zones, and extend over a strike-length of 1.4 km. The Matoush structure has been traced over a distance of 11 km going south and 2.5 km going north.

The increase in the indicated resources from 3.73 million pounds grading 0.67% U_3O_8 (Scott Wilson RPA, Sept. 2008) to 7.46 million pounds at 0.78% U_3O_8 is significant. The indicated resources for the MT-34 zone, which lies in the upper part of the ACF-4 stratigraphic unit, is now estimated at 174,000 tonnes grading 0.89% U_3O_8 containing 3.42 million pounds

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U₃O₈. It should be noted that no indicated resources have yet been estimated for the MT-22 zone due to the current drill hole spacing, which is about 50 metres by 50 metres. This zone will be drilled at a tighter spacing during the underground exploration program. No mineral reserves have yet been established for the Matoush project.

The following table shows the new mineral resource estimate, which confirms that Matoush is a robust deposit, relatively insensitive to cut-off grades between 0.05% and 0.2% U₃O₈.

Table 1 - Mineral Resource Estimate for Matoush - September 1, 2009

	Tonnes (x 1,000)	Grade (% U ₃ O ₈)	Pounds U ₃ O ₈ (x 1,000)
Indicated			
AM-15	262	0.70	4,039
MT-34	174	0.89	3,420
Total Indicated	436	0.78	7,458
Inferred			
AM-15	33	0.34	249
MT-22	822	0.53	9,526
MT-34	302	0.45	3,003
Total Inferred	1,157	0.50	12,777

Notes:

1. CIM Definition Standards have been followed for classification of Mineral Resources.
2. The cut-off grade of 0.1% U₃O₈ was estimated using a U₃O₈ price of US \$75/lb and assumed operating costs.
3. High U₃O₈ grades were cut to 9% prior to creating a 2-metre long composite.
4. The Mineral Resource estimate uses drill hole data available as of September 1, 2009.
5. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
6. Totals may not sum correctly due to rounding.

PERMITS AND LICENCE

The Operations and Engineering department was very productive in 2009. Multiple reports required for the underground exploration program were completed and submitted to the regulatory authorities.

An important step was made toward obtaining the licence and various permits in the first quarter of 2009. Comments were received from the CNSC on February 16, 2009, in relation to the licence application filed on November 5, 2008. The Company also received the COMEV directive on March 19, 2009, for the environmental impact study.

Following receipt of the COMEV directive and CNSC comments, many activities were carried out by various consultants for the permits required for the underground exploration program. In addition to the mandates awarded to Scott Wilson RPA for the underground pumping and ventilation studies, and to Melis Engineering Ltd. for finalization of the mine runoff treatment plan, contracts were granted to Golder Associates ("Golder") for various studies and health and safety programs.

Golder carried out field work in a number of disciplines in the winter of 2009. Most of these activities were related to work plans approved in 2008. Field activities for animal counts were completed in January and February 2009. The winter surface water and sediment sampling program, hydrology and geochemistry work were completed in March 2009.

In February, the borrow pits (gravel, sand and till) on the Matoush property were drilled by the Amos office of GENIVAR and Poly-Geo Inc. to outline the sources of borrow material for the construction of surface facilities required for the exploration ramp. The Amos office of GENIVAR also carried out supervision work for the construction of the new fuel storage area, as well as design work for a cement base for a new communications antenna.

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The ramp stability rock mechanics study was also started in the first quarter of 2009. The study is aimed at meeting Quebec regulatory requirements for excavations within 100 metres of a body of water, at the request of the CNSC.

In March 2009, GENIVAR was awarded a contract for the detailed engineering of the facilities required for exploration ramp construction. This contract essentially consists of the detailed engineering for the treatment plant for exploration ramp runoff, portal, power grid, power supply, ventilation system, fuel and propane distribution system, camp expansion and approval applications for all new surface facilities, civil works and a landing strip.

In the second quarter, two other consultants, SENES Consultants Limited (“SENES”), an Ontario firm with extensive uranium industry experience, and the Montreal office of GENIVAR, joined the list of the many consultants conducting the various detailed studies required to obtain the various provincial and federal permits.

Following up on the comments received from the CNSC on February 16, 2009, in relation to the underground exploration licence application, the Company began field work with the assistance of Golder for a rock mechanics study on the crown pillar. This study will also be used to meet provincial government requirements regarding an underground excavation under the influence of a water body, meaning when an excavation is less than 100 m from a water body. Field work consisted of the drilling of three holes and various tests performed in the holes and on the drill core. A total of 526 metres were drilled.

In the second quarter, the Val-d’Or and Amos offices of GENIVAR continued to work on the detailed engineering of the surface facilities required for the underground exploration program.

With the completion of the baseline studies, Golder was able to begin studying the potential impact of the exploration project on the physical and biological components on which they were working. Phase 2 of the drafting of detailed procedures and manuals for the radioprotection program was also completed. A new contract was also awarded to Golder for the preparation of an environmental emergency measures plan. Field work carried out by Golder between April and June 2009 consisted of a spring sampling program of surface and sediment water and geochemistry (work plan approved in 2008).

In the second quarter, risk studies (ecological risk, risk on human health and industrial risk) were also awarded to SENES, along with mandates for the air and climate and radiometry studies. SENES provided training to Company personnel and set up air sampling stations on site. They also carried out a surface radiometry survey for the baseline radioactivity study.

Throughout the second quarter, the Company received a number of provincial permits for the Matoush project, including the land use lease for the camp and the petroleum equipment operating permit (renewal) in April, and in June, the exemption of the landing strip from the impact study and the environmental and social impact review.

In the third quarter, the environmental work done by Golder continued, with the preparation of baseline assessments for most of the study components, including hydrogeology based on the field rock mechanics results, surface water and sediment quality, hydrology and wildlife. Activities for the quarter also included the preparation and submission of the geochemistry and rehabilitation reports and the environmental emergency response plan. The field work carried out by Golder from July to September 2009 was part of the summer program of surface water and sediments sampling and geotechnical drilling of the crown pillar.

Meanwhile, SENES completed analysis and drafting of the risk study (ecological, human health and industrial risk) in the third quarter, and filed the preliminary report on the ecological and human health risks in September for review. The drafting of the baseline assessment for air quality, the climate and radiometry continued during the quarter, and the final report on air quality and climate was completed in early October.

The crown pillar geotechnical study was completed and the final report was received. Furthermore, most of the studies were completed, including the radiation safety study, a high priority element for the permit application.

In addition, the Val-d’Or and Amos offices of GENIVAR completed the detailed engineering work and started construction engineering.

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In the third quarter, the Company received some of the permits required for the Matoush project development, such as the land usage rights for the landing strip and related access road, as well as the access roads to some of the borrow pits. Timber cutting rights were also granted.

The last quarter of 2009 was very busy due to two major applications. The environmental impact study was completed and sent to the regulatory authorities in October 2009, and the application for a licence for underground exploration work was filed with the CNSC on November 6. The latter application contains a dozen programs and a significant number of sub-programs, all related to occupational health and safety and the environment.

The Company also filed an updated preliminary rehabilitation plan as requested by the *Ministère des Ressources naturelles et de la Faune* ("MRNF").

The Company filed two exemption requests in November with the *Ministère du Développement durable de l'Environnement et des Parcs* ("MDDEP"), one for the use of the winter road to the Matoush camp, and the other for the exploitation of a sand pit smaller than 3 hectares (ha).

The Company filed a request for an authorization to mine without a lease for eight borrow pits smaller than 3 ha on the property. The material is required to pursue surface exploration work, repair the site access and build the landing strip.

Finally, a request for an authorization certificate to mine six borrow pits larger than 3 ha was filed with the regional MDDEP office in Rouyn-Noranda. This material is required for future underground exploration work.

Golder also finalised its limited impact study document. No field work took place between October and December 2009. The final Golder and SENES documents to be included in the overall underground exploration project impact study were submitted.

Finally, numerous translation contracts were granted in the last quarter of 2009 to comply with Quebec government requirements.

COMMUNITY AND INVESTOR RELATIONS

Throughout 2009, the Company continued to strengthen communications with the First Nations to inform them on the various stages of the Matoush project development. A technical presentation on mineral exploration was made to five representatives of the Grand Council of the Crees and two representatives of the Cree Mineral Exploration Board at the Company's head office on February 10, 2009. This working session proved excellent, enabling those present to be well informed and to obtain clear answers to their questions and concerns.

An official meeting was held at the site on February 21, 2009. Twenty-three of the 26 participants were Cree, including four tallymen responsible of the trap lines in the Matoush project area. A similar meeting took place at the same time last year. Because they are directly on site, these meetings generate more dialogue.

Company management made two presentations, one to the *Ministère des Ressources naturelles et de la Faune* and the other to the deputy minister of mines and his entourage. A third presentation was made in Chibougamau to the MNA for Ungava.

These presentations and exchanges had two specific goals: to publicize the Matoush project overall, particularly its development stages, and to inform the main stakeholders on the various aspects of uranium, particularly potential concerns such as radioactivity, radon, health and safety and environmental protection.

In early April, the Company was an active participant and a major sponsor of the fourth annual Learning Together conference in Montreal, which brings together aboriginal communities from across Canada. Among other things, this conference aims to create strong links between First Nations communities and the mining industry. It allowed the Company to address questions from many participants on uranium projects. The presentations and the participation of a Company representative in discussion groups that included representatives from Cameco and the CNSC proved very beneficial.

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On April 21, a meeting was held with the chief of the Mistassini band council to discuss the progress of the Matoush project, as well as the work remaining for the preparation of the underground exploration program.

At the end of April, a Company representative also met with the members of the Uranium Committee in Chibougamau to provide support in terms of the planning process and strategy for public meetings. This new committee has been set up by the board of directors of the regional committee of CREBJ for the purpose of informing the public on all aspects of uranium in an open, transparent process.

In addition to its various meetings, the Company retained the services of consultants to optimize its website in 2009. The website provides access to a broad range of information on the nature and characteristics of the Matoush project, the health and safety of the local population and workers and environmental protection. The website now also has pages on “News to Investors” and “News to the Communities” that provide up to the minute news on the Matoush project. Anyone interested can, for instance, consult the latest resource estimate or be notified of the most recent information document uploads. The site also provides new information files on interesting subjects related to uranium, such as environmental protection, transport, site restoration and health and safety programs. The site was updated out of a concern for transparency, so that the public, investors and anyone else interested in the project could find answers to questions they might have.

In the third and fourth quarters, to maintain direct contact with investors, the president and chief executive officer travelled to Europe three times and made several trips to Toronto and Montreal, where he attended numerous meetings to maintain direct contact with investors. He also gave media interviews, notably on *Canal Argent*, to inform investors and the public on Matoush project developments.

These initiatives show that the Company is pursuing its efforts to establish and maintain good relations and open, ongoing communications with local communities, the Cree community, investors, regulatory authorities and the general public.

STRATEGY AND ACTION PLAN

The Company plans to sustain and accelerate its efforts to achieve its objectives of increasing the uranium resource on its wholly-owned Matoush property and becoming the first Quebec company and first so-called junior company in Canada in this cycle, meaning in nearly 25 years, to advance a uranium exploration project to the underground exploration stage.

To do this, the Company is relying on an aggressive drilling program and a highly qualified team with an enhanced understanding of the Matoush project geology. Indeed, Management is extremely encouraged by the drilling program carried out on the Matoush project in 2009, which was crowned with success.

Management is also extremely proud of the new resource estimate by Scott Wilson RPA. The estimate provides yet more evidence of the immense potential of the Matoush property and the Company’s promising future.

Given the demonstrated potential for resource growth, it seems clear that the number of metres to be drilled in the coming years should be increased substantially. Consequently, for 2010 and 2011, Management plans to conduct a surface drilling program of 60,000 metres per year along the Matoush fault, which has been traced by drilling over a distance of more than 15 km. This program will be carried out in parallel with the underground exploration work, and will focus on of systematic exploration of the structure. The results of the surface drilling program should allow the maximum capacity of the Matoush ore processing plant to be established.

The objectives set by Management in 2006 have been met. With the latest resource estimate and drilling now underway and likely exceed 120,000 metres over the next two years, Management now has a much more ambitious goal, which is to outline 60 million pounds of U_3O_8 for future production of over 2.5 million pounds of U_3O_8 per year. The final mill production capacity will, however, only be determined on the basis of the resource defined in 2011.

In addition, as of 2011, the Company plans to accelerate the mine construction permitting process by starting the environmental studies required for tailing pond construction.

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In terms of communications, the Company intends to maintain and strengthen communications with the First Nations and residents of the municipality of James Bay. To do so, it will continue to organize various meetings and information sessions.

The Company also accords a high priority to public and investor information, knowing that information disclosure is essential to the success of the project. The Company will therefore take the measures required to ensure that all project work and activities are part of an open, transparent process.

NOTE 1:

EXPLORATION PROGRAM ANALYTICAL PROCEDURES

All reported samples are split with hydraulic splitter by dedicated personnel. Samples are individually bagged and tagged and shipped as per transportation protocols. Strateco adds blanks and duplicates for every 14 samples and standards randomly within the sample number sequence prior to shipment.

Analytical results are received and imported into our database. Laboratory replicates and laboratory standards are checked. Internal duplicates, blanks and standards are checked. Analytical drifts from expected results triggers re-analysis.

Results are also compared with estimated grade-tonnage (GT) values from in-situ downhole probing, and with CPS values logged during initial core logging procedures.

SAMPLING METHOD: QUALITY ASSURANCE AND CONTROL

The sampling program at Matoush project, including all aspects of quality assurance and quality control, is supervised by the Company's chief geologist, Jonathan Lafontaine, P.Geo., who is a qualified person as defined under *NI 43-101*.

Core is split on site using a hydraulic splitter and samples are taken at intervals of 30 cm to 3 m depending on their geological characteristics. Sealed sample bags are placed in a locked facility prior to being shipped. Samples are shipped by floatplane to the Temiscamie and trucked to Chibougamau, where courier sends them to the Saskatchewan Research Council (SRC) Geoanalytical Laboratories in Saskatoon. The laboratory is accredited by the Standards Council of Canada as an ISO/IEC 17023 laboratory for mineral analysis testing. On arrival at SRC, samples are sorted into lots according to radioactivity level, prepped and analyzed in that order. Samples are dried and jaw crushed to 60% passing -2 mm. A 100 g to 200 g subsample is split using a riffler. A ring and puck-grinding mill pulverizes the subsample to 90% passing 106 microns. The mills are cleaned between samples using steel wool and compressed air. After sample preparation, SRC analyzes the uranium content by several means. Inductively coupled plasma ICP 4-3R (partial digestion) and fluorimetry are used on samples with U_3O_8 less than 100 PPM. ICP 4-3 (total digestion) is used on samples with normal to high radioactivity, hence for the majority of the samples submitted. Samples done by ICP 4-3 also have the full package of trace elements run. Samples with greater than 1,000 ppm U_3O_8 are also subjected to an *aqua regia* digestion before determination of wt% U_3O_8 also by ICP. The results are continuously checked.

In addition to chemical analysis, Strateco uses a gamma ray downhole probe to determine uranium grade (gamma probe). Before using the probe, holes are cleaned to eliminate mineralization smearing or radon effects. Probe results in counts per second ("cps") are converted to eU_3O_8 (**equivalent U_3O_8**) based on generally-accepted algorithms specifically calibrated for the Matoush deposit. A calibration hole (MT-07-29), for which full chemical analysis was performed, is probed at least once a month to ensure that the probe is adequately calibrated and is functioning properly. Results are also compared with the chemical analysis as soon as they are received. Any disparities in the results are immediately checked and corrected.

Counts per second, usually abbreviated as cps, are a measure of radioactivity. The more radioactive elements emitting gamma rays in a source, the higher its cps reading. The relationship is not linear, in the sense that if 5,000 cps is determined to approximately equal 1% U, 25,000 cps does not necessarily equal 5% U. However, there is more radioactive material in a source that emits 25,000 cps than in a source that emits 5,000 cps.

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Consequently, counts per second are a general indication or estimate of potential grade. While this is not always the case for radioactive sources, core lends itself well to this comparison because its size and shape is constant. While it is difficult to estimate potential grade from cps values in outcrops and boulders, this qualitative data confirms the presence or absence of radioactive elements in a source.

Counts per second values are significant enough to justify using them for internal quality control purposes. The «e» in eU_3O_8 represents the **estimated** or **equivalent value of U_3O_8** as determined by downhole geophysical probing. The «e» indicates that the value is not obtained by drill core assays, but rather by converting gamma radiation measured *in situ* in the drill hole into U_3O_8 values by assuming that all gamma radiation can be directly attributed to the quantity of uranium present in the rock. Strateco can clearly show that all our mineralized intersections typically have a negligible quantity of radioactivity related to thorium or potassium that would skew this analysis. Furthermore, after isotopic analysis, the Company can safely say that, like most other deposits older than 0.35 million years, the uranium is in equilibrium (i.e. daughter elements are produced and disintegrated at a steady rate, correlated to the quantity of uranium).

This method of distinguishing analytical assay values from geophysical measurements is common in the industry.

While the Company could indicate that U_3O_8 values surveyed are estimated based on gamma probe readings, it is preferable to use eU_3O_8 for clarity, as suggested in the following CIM guidelines:

“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. eU_3O_8).” (Extract from page 50 of: <http://www.cim.org/committees/estimation2003.pdf> (55 pages)).

METHODOLOGY FOR THE USE OF THE GAMMA PROBE – REPRESENTATIVITY (extract from the Matoush project technical report dated September 16, 2008, by Scott Wilson Roscoe Postle Associates Inc.)

Every completed drill hole is probed from toe to collar except for a single or double core barrel length and a rod length pulled from the bottom of hole to prevent the drill rod string jamming. Downhole probing is completed by a Strateco geotechnician after washing the hole for one hour to eliminate minor mineralization smearing or radon effects. Two probes were used during this drilling campaign, the first being a Mount Sopris 2MGA natural gamma instrument (2MGA) on loan from Cameco with a sodium iodide detector. The second was a Mount Sopris 2GHF triple gamma instrument (2GHF) with one sodium iodide detector and two Geiger-Muller detectors. Several drill holes were probed with both instruments to ensure data continuity.

All calculations for the grade x thickness (GT) estimates are based on instrument readings inside a water-filled drill rod string, and therefore, raw cps data are factored to compensate for the steel shielding and water. Once data are imported into the database, the downhole probing data are visually compared with logged radiometric readings on drill core. Although the data sources and reporting methods are significantly different, it is a visual check to ascertain the concordance of peak spacing and general width of mineralized zones.

The calculation macros are different for each tool. For the 2MGA instrument, the adjusted cps are corrected for high-grade detector saturation by using a «dead-time» factor to compensate for the lag in electrical pulses sent to the data logger. A calibration constant is then applied to estimate the GT value of the area under the corrected cps curve. Once the GT value is obtained, it is estimated over a certain length from which an estimated grade (or eU_3O_8 in %) is calculated. For the 2GHF triple gamma tool, once a simple correction is applied to compensate for the spatial distribution of the detectors in the instrument, the values are smoothed by a moving average covering 70 cm centred on the depth of the instrument measurement. This removes spurious results and short narrow peaks which are not considered representative for GT estimates. The macro will subsequently sort the results, retaining the sodium iodide detector readings if they are below 6,000 cps (i.e., low grades), and the sum of the Geiger-Muller detectors above this cut-off. The 6,000 cps cut-off is used as per the ideal range of detection for both types of instruments.

The Excel macro uses a high order polynomial (3rd order for sodium iodide detectors, 2nd order for Geiger-Muller detectors) to assign grade to cps value on a sample per sample basis. This polynomial is determined through controlled experiments using the calibration drill hole from which known assay results are taken. Thus, a known grade over a known thickness is

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assigned a cps value for both detectors for a variety of grades typically encountered on the property. The calibrated polynomial curve is then acceptable up to the maximum grade encountered on the calibration curve. When this maximum cps is exceeded in a drill hole, the calibrated polynomial is no longer applicable and must be recomputed once accepted assay data have been recovered.

In order to ensure proper operation of the gamma probe as well as representativity, Strateco brought in a spectral (gamma) probe calibration specialist from Denver, Colorado. *(This paragraph was added by Strateco)*

Consequently, the probing methods and algorithms applied to convert from cps to eU_3O_8 were reviewed and audited by independent consultant, Dr. Robert D. Wilson, a specialist in the field of nuclear log analysis and instrumentation. Dr. Wilson concluded that the procedural methods are valid, and protocols are adequate for the remote environment in which the instruments are used (Wilson, 2008).

These data are compared with geochemical grades once sample results are returned from the SRC. Natural variations on the order of 5%-10% differences in GT do occur, though variations are typically less than 5%. A calibration hole (MT-07-29) is probed at least once per month to ensure the probe is functioning properly.

Cable stretch and slip is of particular concern and can be as high as approximately 1% (meaning one centimetre of slip and stretch going up hole per metre of coiled cable). Although this value is negligible for drill holes of less than 100 m, it can be significant for the Matoush project where drill holes usually exceed 300 m and can go as deep as 800 m or more. Stretch and slip of the cable during uphole readings is assumed to be due to cable twisting-untwisting or slip of the pulley that measures cable length. Usually, downhole gamma readings appear higher up in the log than radioactive peaks as measured on drill core. To compensate for this effect, depths are multiplied by 1.01.

RECONCILIATION OF DRILL DATA AND ANALYSIS RESULTS

Assays are considered by the Company to be the “reliable” value, however, downhole readings are used *in lieu* of assay data if these data are not available due to missing core or lengthy turnaround time by analytical procedures.

Comparing the downhole gamma log data against the assay results is best made on a GT basis for several reasons. First and most obviously, sampled media is different. Assays represent a measured quantity of uranium, whereas uranium values obtained from the in situ probing represent the radioactive signature of a football-shaped volume incorporating fluids, rod casing and wall rock. Furthermore, the natural heterogeneity of the mineralization may also lead to variation in the estimated grades. It is also important to note that the probe is not centred in the drill rod string but is gravity-held in the trough (bottom) of the rod string as it is descended and raised and thus does not evenly read the mineralization in the wall rock. Variation of sample length is yet another reason for comparing GT values. Finally, because the end product of the downhole-probing estimate is the GT value (which is later deconvoluted to length and grade), it is simply more advisable to compare the “source” of the data, the GT, rather than the actual grade and lengths.

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EXPLORATION EXPENSES

Exploration expenses for the year ended December 31, 2009	Matoush	Matoush Extension	Eclat	Apple	Pacific Bay-Matoush	Mistassini	Total
	\$	\$	\$	\$	\$	\$	\$
Balance beginning of period	22,864,066	456,320	669,376	1,252,357	422,741	293,215	25,958,075
Additions							
Consultants and subcontractors	3,506,561	24,661	55,919	90,363	58,361	64,593	3,800,458
Infrastructure, access roads, fuel depot and others	1,933,886	-	-	-	4,124	45,625	1,983,635
Drilling	2,873,116	-	503,583	2,299	507,183	117,363	4,003,544
Transport and fuel	955,169	-	-	1,208	59,654	83,400	1,099,431
Geophysics	-	-	-	-	-	100	100
First aid	29,140	-	-	-	-	-	29,140
Laboratory and analysis	389,534	-	-	-	12,600	-	402,134
Travel and lodging	1,522,891	-	-	365	15,971	21,086	1,560,313
Nuclear permits	1,235,286	-	-	-	-	-	1,235,286
Management fees	474,948	-	49,785	2,280	60,585	41,066	628,664
Supplies and equipment rental	409,524	-	-	-	-	-	409,524
Rolling equipment maintenance	158,122	-	-	8,415	2,900	-	169,437
General expenses	356,408	-	-	2,027	1,300	-	359,735
Environment	854,999	-	-	-	-	-	854,999
Stock-based compensation	169,945	-	-	-	-	-	169,945
Amortization of property and equipment	486,725	-	-	53,611	-	-	540,336
	15,356,254	24,661	609,287	160,568	722,678	373,233	17,246,681
Credit for mining duties and other exploration credits	(6,071,922)	(27,641)	(280,882)	(10,853)	(332,842)	(175,729)	(6,899,869)
Net increase	9,284,332	(2,980)	328,405	149,715	389,836	197,504	10,346,812
Balance end of period	32,148,398	453,340	997,781	1,402,072	812,577	490,719	36,304,887

Pursuant to the financing closed on October 1, 2008, the Company had to incur expenses of \$8,000,000 on the Matoush and Apple projects by December 31, 2009. As of December 31, 2008, \$3,147,744 was spent and as of December 31, 2009, the residual engagement was spent. Therefore, the full exploration expenses commitment was met on the \$8,000,000 flow-through financing.

Pursuant to the financing closed on December 8, 2009, the Company had to incur expenses of \$2,500,000 on the Matoush project by December 31, 2010. On December 31, 2009, \$643,327 exploration expenses were incurred of which \$26,740 were disbursed.

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Exploration expenses for the year ended December 31, 2008	Matoush	Matoush Extension	Eclat	Apple	Pacific Bay- Matoush	Mistassi- ni	Mont- Laurier + Prospec- tion	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning of period	11,545,831	346,265	268,742	69,526	149,434	-	332,353	12,712,151
Additions								
Consultants and subcontractors	4,006,174	15,370	33,807	507,468	65,112	81,501	17,101	4,726,533
Infrastructure, access roads, fuel depot and others	871,709	-	-	336,659	193	-	-	1,208,561
Drilling	7,058,631	129,142	340,877	466,418	221,462	73,099	-	8,289,629
Transport and fuel	1,830,237	27,875	5,245	234,743	169,606	150,654	-	2,418,360
Geophysics	700	-	-	10,682	-	180,000	-	191,382
First aid	188,555	-	-	1,540	-	-	-	190,095
Laboratory and analysis	672,999	14,542	29,206	83,472	8,496	15,644	-	824,359
Travel and lodging	1,563,397	-	-	294,677	-	40	225	1,858,339
Management fees	1,115,804	17,256	37,006	141,089	40,076	28,929	430	1,380,590
Supplies and equipment rental	558,826	-	1,950	-	-	-	-	560,776
Rolling equipment maintenance	107,179	-	-	44,359	-	-	-	151,538
General expenses	149,201	-	4,500	16,277	1,144	431	4,175	175,728
Amortization of property and equipment	424,623	-	-	43,769	-	-	-	468,392
	18,548,035	204,185	452,591	2,181,153	506,089	530,298	21,931	22,444,282
Credit for mining duties and other exploration credits	(7,229,800)	(94,130)	(51,957)	(998,322)	(232,782)	(237,083)	(7,594)	(8,851,668)
Write-off	-	-	-	-	-	-	(346,690)	(346,690)
Net increase	11,318,235	110,055	400,634	1,182,831	273,307	293,215	(332,353)	13,245,924
Balance end of period	22,864,066	456,320	669,376	1,252,357	422,741	293,215	-	25,958,075

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SELECTED INFORMATION AND OPERATING RESULTS

	2009	2008	2007
	\$	\$	\$
Income – Interest	54,046	446,328	963,895
Expenses			
General and administrative expenses	(1,529,121)	(1,297,654)	(1,714,447)
Stock-based compensation	(543,199)	(1,089,533)	(1,377,348)
Fair value variation for financial instruments held for trading	10,000	(265,000)	-
Write-off of deferred expenditures and mining properties	-	(356,690)	-
Future income taxes benefits	525,000	1,028,000	1,973,321
Net loss	(1,483,274)	(1,534,549)	(154,579)
Net loss per share, basic and diluted	(0.012)	(0.013)	(0.001)

	As of December 31		
	2009	2008	2007
	\$	\$	\$
Total assets	61,655,744	59,761,590	52,744,147
Long term liabilities			
Obligation under capital lease	171,522	-	-
Future income tax	1,293,000	1,876,000	752,000
Asset retirement obligation	160,000	-	-
	1,624,522	1,876,000	752,000

The interest income is lower in 2009 than in 2008 and 2007 due to a combination of lower interest rates and lower level of cash invested. As at December 31, 2009, the Company has one term deposit of \$1,000,000 earning a 0.40% interest while as at December 31, 2008 deposits term of \$9,500,000 were earning between 2.20% and 2.35% interest. As at December 31, 2007 deposits term of \$18,000,000 were earning between 4.35% and 4.56% interest.

In 2009, 1,077,500 options (1,363,500 in 2008 and 1,499,000 in 2007) were granted and their fair value (determined using the Black-Scholes option-pricing model) were established at \$0.41 per option (\$0.7627 in 2008 and \$1.3110 in 2007). In 2009, the stock-based compensation cost was recognized in the statement of operations and an amount of \$169,945 (nil in 2008 and 2007) was capitalized against the deferred expenditures.

General and administrative expenses were kept in essence at the same level except for Company's increased activities in 2009 in investor relations and legal and audit expenses.

On January 14, 2008, the Company acquired 1,000,000 units of Pacific Bay Minerals Limited ("Pacific Bay") at \$0.30 per unit, for \$300,000. As of December 31, 2008, the value of the investment decreased to \$35,000. As of December 31, 2009, the value of the investment is \$45,000.

DIVIDEND POLICY

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

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CASH ASSETS AND SOURCES OF FINANCING

The Company's working capital stood at \$8,441,128 at December 31, 2009 (\$15,562,068 at December 31, 2008). On January 27, 2010, the Company closed a private placement with Sentient Executive GP III, Limited acting for two funds from Cayman Islands of 100,000 units for an amount of \$95,000 and \$14,905,000 of convertible notes accompanied by common share purchase warrants.

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

The Company's investment activities primarily consist of funds used in exploration work and the addition of mining properties. The Company is entitled to a refundable tax credit for resources for up to 38.75% of eligible expenses, and a credit on mining duties refundable for losses of 12% of eligible expenses incurred. During 2009, the Company cashed \$8,310,361 in tax credits for resources (\$7,394,153 in 2008).

The 2010 budget is \$1,6 million to cover general and administrative expenses and approximately \$28.2 million to pursue the exploration programs planned for the remaining of fiscal year 2010.

Management is of the opinion that the Company requires more funding before the end of the year. In the past, the Company has been able to rely on its ability to raise financing through public and private equity offerings. In addition, once its interests on the Mistassini and Pacific-Bay-Matoush properties are acquired, the Company will be able to explore and develop further these properties through joint-venture participation.

QUARTERLY FINANCIAL INFORMATION

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

	Dec. 31 2009	Sept. 30 2009	June 30 2009	March 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	March 31 2008
			\$	\$	\$	\$	\$	\$
Total income	2,441	8,203	12,046	31,356	90,537	85,241	96,032	174,518
Net profit (loss)	(526,573)	(261,978)	(236,613)	(458,110)	33,559	(360,225)	(787,005)	(420,858)
Net profit (loss), per share, basic and diluted	-	-	-	-	-	-	(0.01)	-

In June 2009, the stock-based compensation expense is \$237,393 when it was \$746,659 in June 2008. The Company grants annually the majority of its options after the shareholders' annual meeting. The expense is recorded on the vesting period.

In 2009, the Company realized that a misinterpretation occurred in the methodology to calculate one aspect of the future income tax and recorded the adjustments in the months of December 2007, 2008 and 2009.

FOURTH QUARTER

	2009	2008	2007
	\$	\$	\$
Income – Interest	2,441	90 537	218 021
Expenses			
General and administrative expenses	(494,044)	(250 549)	(298 308)
Stock-based compensation	(25,970)	(82 759)	233 885
Fair value variation for financial instruments held for trading	(35,000)	(35 000)	-
Write-off of deferred expenditures and mining properties	-	(356 690)	-
Future income taxes benefits	26,000	668 000	1 973 321
Net profit (loss)	(526,573)	33 539	2 126 919
Net profit (loss) per share, basic and diluted	-	-	0,02

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In 2009, the Company realized a misinterpretation occurred in the methodology to calculate one aspect of the future income tax and recorded the adjustments in the months of December 2007, 2008 and 2009.

In 2009, investor relations and legal and audit expenses were higher than in the comparative previous quarters due to increase activities.

In 2008, the Company decided to write-down expense for prospecting and the Mont-Laurier Uranium property as no significant work had been done on the property since 2006.

On October 1st, 2008, the Company closed a non-brokered private placement of 4,102,565 flow-through shares at \$1.95 per share for gross proceeds of \$8,000,002.

On December 8, 2009, the Company completed a non-brokered private placement of 2,500,000 flow-through common shares issued at the price of \$1.00 per share for a total amount of \$2.5 million.

CONTRACTUAL OBLIGATIONS

Contractual Obligations	Payments due by period			
	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$
Obligation under capital lease	180,000	180,000	-	-
Operating leases	139,623	61,120	-	-
Asset retirement obligation	-	200,000	-	-
Total contractual obligations	319,623	441,120	-	-

OFF BALANCE-SHEET ARRANGEMENTS

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

RELATED-PARTY TRANSACTIONS

The Company pursued a three-year service agreement with BBH Géo-Management Inc. (“BBH”). The agreement is dated August 1, 2008, and provides for BBH to manage the Company’s exploration activities. BBH is a related party since:

- i) Guy Hébert, the president and director of BBH is also the president and a director of the Company;

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;
- Management fees of 5% on all costs related to exploration and development programs and purchases related to the Matoush property;
- Management fees of 10% on all costs related to exploration and development programs on the other properties: Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties, and of 5% on all purchases related to exploration projects or option agreements on the Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties;
- Management, administration, accounting and legal services;
- Consulting services, including geology;
- Relations with shareholders and other services;
- Identification of sources of financing.

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The Company's Board of Directors approved the BBH service agreement without Guy 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 an unrelated third party in the industry.

The Company concluded the following transactions with BBH:

	December 31, 2009	December 31, 2008
	\$	\$
Expenses capitalized in the statement of deferred expenditures		
Consultants and subcontractors ⁽¹⁾	2,937,000	2,572,000
Management fees ⁽²⁾	632,000	1,381,000
General and administrative expenses in the statement of earnings and deficit		
Professional fees	392,000	375,000
Legal expenses	118,000	94,000
Investor relations	169,000	142,000
Rent	62,000	48,000
Share issue costs charged against capital stock	2,000	11,000
Management fees charged against property and equipment	12,000	128,000

⁽¹⁾ The increase in consulting and subcontractor expenses is primarily attributable to an increase in the number of consultants.

⁽²⁾ The management fee for the Matoush property was reduced from 10% in 2007 to 5% as of August 1, 2008.

In addition, the Company concluded the following related party transactions:

- A company controlled by Ingrid Martin, CA, CFO and treasurer in function since June 9, 2009, charged accounting fees of \$35,000 included in legal and audit expenses.
- Pauline Comtois, CGA, CFO up till June 9, 2009, charged accounting fees of \$7,000 (\$38,000 in 2008) included in professional fees;
- A limited partnership company in which Me Henri Lanctôt, secretary and director, is also a partner, charged legal fees amounting to \$21,000 (\$35,000 in 2008) included in legal and audit expenses and \$27,000 (\$10,000 in 2008) included in capital stock as issue costs.

At December 31, 2009, accounts payable and accrued liabilities included an amount of \$397,000 (\$157,000 at December 31, 2008) owed to related-parties. 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 payment conditions are the same as the other suppliers of the Company except for BBH for which the invoices are payable upon receipt.

STOCK OPTION PLAN

The stock option plan is designed to enable the Company to use shares as a means of retaining, motivating and compensating beneficiaries to whom the board of directors grants options under the plan, for the efforts they invest in achieving the Company's goals and to enable them to acquire shares as an investment and an incentive.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires Management to make estimates and assumptions that effect the assets and liabilities reported. These same estimates and assumptions also have an impact on the contingencies as at the date of the financial statements, as well as amounts related to revenue and expenses for the periods.

Critical estimates include estimates of the credit for mining duties refundable for losses and the refundable tax credit for resources, future income tax assets and liabilities, the mining properties and deferred exploration expenditures, the asset retirement obligation and the fair value of stock options granted. Actual results could therefore differ from these estimates.

CHANGES IN ACCOUNTING POLICY

BUSINESS COMBINATIONS AND NON-CONTROLLING INTERESTS

As an activity consistent with Canadian generally accepted accounting principles being converged with IFRS-IASB, the previously existing recommendations for business combinations and consolidation financial statements will be replaced with new recommendations for business combinations (CICA Handbook Section 1582), consolidations (CICA Handbook Section 1601) and non-controlling interests (CICA Handbook Section 1602).

Generally, the new recommendations result in measuring business acquisitions at the fair value of the acquired business and a prospectively applied shift from a parent corporation conceptual view of consolidation theory (which results in the parent corporation recording book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent corporation recording fair values attributable to non-controlling interests). Both the new Canadian GAAP recommendations and IFRS-IASB allow the choice of whether or not to recognize the fair value of goodwill attributable to non-controlling interests on an acquisition-by-acquisition basis.

As of June 30, 2009, the Company decided to postpone the adoption of these recommendations till January 1st 2011 (as allowed by the CICA Handbook).

EIC 173: CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On January 20, 2009, the CICA issued EIC abstract 173 which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a significant impact on the Company's financial statements.

EIC 174: MINING EXPLORATION COSTS

On March 27, 2009, the CICA issued abstract EIC 174 to provide additional guidance for mining exploration enterprises on when an impairment test is required. This abstract was applied during the current year. The adoption of this standard did not have a significant impact on the Company's financial statements.

On June 2009, the Company adopted the amendments to Section 3862, "Financial Instruments - Disclosures", issued by the CICA. The amendments improved disclosures about fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. The amendments to Section 3862 apply to annual financial statements relating to fiscal years ending after September 30, 2009. The prospective adoption of this section did not have any measurement impact on the Company's financial statements. The additional disclosure requirements are presented in Note 15.

Other new standards were issued, but are not expected to have a material impact on the Company's financial requirements.

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IFRS CONVERGENCE

In April 2008, the CICA published an exposure draft as guidance which requires the transition to International Financial Reporting Standards (“IFRS”) to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Company expects that its first interim financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011, and its first annual financial statements presented in accordance with IFRS will be for the year ended December 31, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

TEAM:

The Company convergence team will be composed of the CFO (who is a Chartered Accountant) and the head of accounting services. The president and the audit committee will be informed of the progress along the way.

TRAINING:

In the fall 2008, the actual CFO participated in a 3 days training session given by the IFRS Task Force of an accounting cabinet. The objective of that training was to compare Canadian GAAP to IFRS. During the spring 2009, the CFO participated in 3 other days of training given by the order of chartered accountant on specific subjects: fixed assets, business combinations, financial instruments and provisions and contingent liabilities. As IFRS is expected to change prior to 2011, any changes impacting the Company will have to be monitored. In the fall 2009, the CFO participated in two training sessions given by the CICA, one on IFRS 1 initial adoption and one on IFRS applied specifically to the mining industry.

ACCOUNTING POLICIES IMPACTED:

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2009. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure.

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company’s financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate the Canadian GAAP and the IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company’s financial statements in future years. The future impacts of the IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the expected impacts of these differences on its financial statements. They are as follows:

First time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company’s opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

IMPAIRMENT OF ASSETS (IAS 36)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).

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IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

SHARE-BASED PAYMENTS (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur.

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ.

MINERAL PROPERTY INTERESTS, EXPLORATION AND EVALUATION COSTS (IFRS 6)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

PROPERTY, PLANT AND EQUIPMENT (IAS 16, IFRIC 1)

Under IFRS, the Company can elect to measure fixed assets using either the cost model or the revaluation model. Canadian GAAP only accepts the cost model. The Company will not select the revaluation model due to the difficulty and effort needed to determine the fair value.

Under IFRS, each part of a fixed asset with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. In Canadian GAAP, the same requirement exists but when practical, and consequently rarely implemented. The IFRS may result in additional details needed to maintain de fixed assets sub-ledger. Under IFRS, the residual value and the useful life of an asset shall be reviewed at least at each year end. The Canadian GAAP was requesting the same review but only on a regular basis.

INFORMATION SYSTEMS:

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expect at this point to operate the accounting system under the IFRS. Nevertheless, some excel spreadsheets will probably have to be adapted to support the change made in accounting policies.

The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

As the Company will perform its accounting under Canadian GAAP 2010, it has yet to determine how it will generate in parallel the accounting under IFRS so that in 2011 it has the comparative available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place effective in 2010 to generate the dual accounting.

INTERNAL CONTROLS:

Management is responsible for ensuring that processes are in place to provide it with sufficient knowledge to support its certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its fillings.

IMPACT ON THE BUSINESS:

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no foreign currency transactions, no hedging activities, no debt and no capital obligations. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flow-

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through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

Business process will be monitored through 2010 to detect unsuspected impact.

OUTSTANDING OR RESERVED SHARE DATA

	On March 10, 2010
	Number
Common shares outstanding	122,695,906
Reserved common shares for eventual exercise of outstanding stock options	4,354,500
Reserved common shares for eventual exercise of outstanding warrants	8,289,474
Reserved common shares for eventual conversion of outstanding convertible notes	15,689,474
Outstanding or reserved common shares - diluted	151,029,354

FINANCIAL INSTRUMENTS

INTEREST RISK

Part of the cash and cash equivalents bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The obligation under capital lease bears interest at a fixed rate. A fluctuation of 1% of the interest rate would have a non-significant impact on the financial statements. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

MARKET RISK

The Company is exposed to fluctuations in the uranium price, as the uranium price influences the potential economics of the Company's mining properties and therefore has an effect on its exploration program and on the decision on whether or not to proceed with production.

Also, market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investment in Pacific Bay, a TSX Venture issuer whose activities are in the exploration field. As of December 31, 2009, a 10% decrease (increase) in the price on the stock market would result in an estimated increase (decrease) in net after-tax loss of approximately \$4,500.

CREDIT RISK

The financial instruments which expose the Company to market risk and concentrations of credit risk include cash and cash equivalents, deposits on exploration work, exploration funds as well as credit and accounts payable and accrued liabilities. The Company invests part of its cash and cash equivalents and exploration funds in guaranteed investment certificates guaranteed by and held with a Canadian chartered bank. Concerning the accounts receivable, the Company does not have any security, but mitigates its credit risk by only transacting with a diversified group of partners with strong financial conditions, and consequently does not anticipate any losses.

LIQUIDITY RISK

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

As at December 31, 2009, the Company has a cash and equivalents balance of \$321,065 (\$5,847,120 as at December 31, 2008) and exploration funds of \$2,473,260 (4,852,256 as at December 31, 2008) to settle current liabilities of \$1,854,116 (\$1,396,939 as at December 31, 2008).

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Given the Company's available liquid resources as compared to the timing of payments of the liabilities, management assesses the Company's liquidity risk to be moderate. Management seeks additional financing through the issuance of new equity instruments to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

FAIR VALUE

The fair value of financial instruments is summarized as follows:

	2009		2008	
	Carrying amount	Fair Value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
<i>Held for trading</i>				
Cash and cash equivalents	321,065	321,065	5,847,120	5,847,120
Investment	45,000	45,000	35,000	35,000
Exploration funds	2,473,260	2,473,260	4,852,256	4,852,256
Financial liabilities				
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	1,697,302	1,697,302	1,396,939	1,396,939
Obligation under capital lease	328,336	328,336	-	-

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

The fair value of the investment is based on the last bid price on the stock market at the end of the period. Since this evaluation is based on quoted prices in active markets, it's considered a level 1 in the fair value hierarchy.

RISK FACTORS

EXPLORATION AND MINING RISKS

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

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

TITLES TO PROPERTY

Although Management has taken steps to verify title to mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and be non-compliant with regulatory requirements.

ENVIRONMENTAL AND OTHER REGULATIONS

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional cost, capital expenditures, restrictions or delays in the Company's activities. The requirements of the environmental regulations

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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. At the exploration stage, costs related to environmental legislation's compliance are not material.

FINANCING AND DEVELOPMENT RISKS

The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to obtain the additional financing required. There can be no assurance that the Company will succeed in obtaining the required funding. Failure to do so may lead to substantial dilution of its interests (existing or proposed) in its properties.

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

COMMODITIES PRICES

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

UNINSURED RISKS

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

PROJECT DELAY RISK

The Company plans to complete the permitting application process in respect of the Matoush project. However, there are risks that the commencement and completion of the construction of the exploration ramp be delayed due to circumstances beyond the Company's control. Such risks include delays in environmental and construction authorizations and permits, delays in finalizing all necessary detailed engineering and construction contract as well as unforeseen difficulties encountered during the construction process.

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. 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 Canadian generally accepted accounting principles.

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, 2009. 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.

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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.

There were no changes in the internal control over financial reporting during the year ended December 31, 2009, 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 the evaluation of the Company’s ICFR. At the end of the exercise on December 31, 2009, these officers concluded that the ICFR was effective.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This management discussion and analysis is dated March 11, 2010, 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 financial statements filed on the Strateco (www.stratecoinc.com), SEDAR (www.sedar.com) and EDGAR (www.sec.gov/edgar.shtml) websites.

(Signed) Guy Hébert

(Signed) Ingrid Martin

Guy Hébert
President and Chief Executive Officer

Ingrid Martin
Chief Financial Officer