



2010 MANAGEMENT DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

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STRATECO RESOURCES INC.

Management Discussion and Analysis

For the year ended December 31, 2010

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, 2010 and 2009. The financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

The sections of this management discussion and analysis on the Company's strategy and action plan and exploration activities contain "forward-looking statements" depending on context, particularly statements that reflect the Company's opinions, estimates and expectations with regard to future events or results. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Factors that could cause future results, activities and future events to differ materially from those expressed or implied by such forward-looking statements include in general the volatility of uranium prices, risks inherent in the mining industry, uncertainty in the estimation of mineral resources and additional financial requirements, as well as the Company's ability to meet such requirements.

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, two joint ventures and one mining property under option. All properties are located in Quebec. These properties comprise 1,068 claims for a total area of 56,747 hectares (567 square kilometres). 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.

The 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 the exploration and development of its properties, profitable future production and or sufficient 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.

2010 HIGHLIGHTS

In 2010, the Company continued its huge effort to make the Matoush uranium exploration project a world-class mining camp. The high grades and considerable potential of the Matoush project, the major drilling program now underway, the advanced state of the engineering work and the recognized expertise and skills of the project team all bode well for the future success of the project.

The fourth quarter proved the most promising in terms of the 2010 drilling program. In November, the Company announced the discovery of a new high-grade zone, lens MT-36, located 1.5 kilometres south of the three existing high-grade lenses (AM-15, MT-22 and MT-34) of the Matoush project.

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In addition, three holes drilled in early October on the Pacific Bay-Matoush property proved conclusive. A Matoush-type fault named the Alfred fault, with identical alterations to the Matoush fault, was intersected over 365 metres. The geophysical anomaly indicates that the Alfred fault extends northward and southward. This is one of the most important discoveries on the Matoush project outside the Matoush fault corridor. These holes, which returned low uranium grades, showed that other Matoush-type structures (faults) exist elsewhere on the Matoush project.

The year 2010 was also marked by substantial progress on the engineering front. Good progress was made on the landing strip, so that it can now be used for the transportation of the manpower and equipment required for the project. The inaugural flight took place on October 15. New offices were also installed, and the camp was expanded to house additional workers for the underground exploration phase of the project.

In 2010, the Company completed almost all of the steps in the long process leading up to the granting of the permit that is required to begin the underground exploration work at the Matoush project.

First, the Company's project team responded in a clear and detailed manner to all the questions from the Canadian Nuclear Safety Commission ("CNSC"), the federal review panel ("COFEX"), the provincial review panel ("COMEX") and representatives of the Mistissini Department of the Environment which were aimed at obtaining more in-depth or complete information on certain aspects of the Matoush project's environmental impact statement that is required to obtain a permit for the underground exploration phase.

Second, the Company presented and explained its environmental impact statement on the underground exploration phase of the Matoush project at public information meetings held in Mistissini on May 25 and Chibougamau on May 26. This was an opportunity for the public to ask representatives of the Company, the CNSC, COMEX, COFEX and Health Canada questions and to improve their knowledge and understanding of the various aspects of the project.

Third, the public hearings on the underground exploration phase of the Matoush project were held in Mistissini on November 23 and Chibougamau on November 25, to give people the opportunity to express their views on the project or present and/or to file a brief. All the steps and initiatives taken to inform local community residents since the Matoush project began in 2006 resulted in considerable support for the Company at the public hearings. The Company received the support of the Jamésie Territory, which represents over 14,000 people, the tallymen and Cree families, one of whose trap lines cover the Matoush project infrastructure and deposit, as well as some members of the Cree community.

However, the new band council of the Cree Nation of Mistissini, located about 210 kilometres from the Matoush project, announced at the public hearings on November 23 that, in its opinion, the Company had failed to properly inform the population on issues related to uranium mining, and consequently, it did not support the Matoush project. This position was unexpected as the Company felt it had established good relations with the Mistissini community since it began exploration in 2006. The Company is determined to take the measures required to win the confidence of the Mistissini Cree community. To achieve this, the Company has set up a new communications program together with the Cree Mineral Exploration Board in order to disseminate transparent, reliable and comprehensible information that will enable the Mistissini community to improve its understanding of the facts and therefore sufficiently improve their outlook on uranium mining. Community relations have always been, and will continue to be, one of the Company's core concerns.

The public hearings were the last stage in the public review process for the environmental impact statement for the underground exploration phase of the Matoush project. The next step is a public presentation, to be led by the CNSC, on the technical aspects of the project. This is another of the steps required to obtain the underground exploration license.

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The Company's management team continued its intensive investor relations program throughout the year. Most notably, it participated in the BMO Capital Markets & Metals Mining Conference in Florida in February, the Prospectors and Developers Association of Canada meeting in Toronto in March and the Macquarie Global Nuclear Conference in Toronto in September. Individual meetings and presentations also took place in Europe in February and May, and meetings were held with retail brokers and their clients in Victoria, Vancouver, San Francisco, Toronto and London (Ontario) in October.

On the financial front, the Company's Board of Directors appointed Paul Einarson, CA, CPA, as Vice President Finance in April, and Mr. Einarson was named Chief Financial Officer and Treasurer in May. His duties include assisting the Company's president with corporate presentations to financial institutions. Furthermore, the Company succeeded in raising nearly \$30 million despite a difficult market for the uranium sector. The Company closed a \$15 million private placement with The Sentient Group ("Sentient") on January 27, 2010, and a \$13 million private placement with a syndicate of underwriters on December 23, 2010, along with an additional \$1.5 million subscribed by Sentient which allowed Sentient to prevent a dilution of its interest in the Company. The proceeds of these financings are being used for, among other things, development of the Company's properties, particularly the Matoush project, and general working capital purposes.

FINANCING

On December 23, 2010, the Company announced that it had closed a brokered private placement for \$13,000,493. The private placement consisted of 9,639,000 units issued at \$0.83 and 5,263,000 flow-through common shares issued at \$0.95. Each unit consisted of one common share plus half a transferable common share purchase warrant with each whole warrant entitling its holder to purchase one common share at a price of \$1.05 per share for a period of 24 months from closing.

The Company paid an intermediary fee of \$650,025. All securities issued are subject to a hold period of four months plus one day from closing.

Pursuant to the \$13,000,493 private placement, Sentient exercised in full its right to maintain its 11.98% interest and, on December 23, 2010, agreed to purchase 1,800,000 units for a total of \$1,494,000. No commission was paid in connection with this non-flow-through private placement.

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

On November 26, 2010, the Company entered into a \$4 million bridge loan agreement with SIDEX LP ("SIDEX"). The loan bears interest at an annual rate of 8%. In connection with the loan, the Company issued 500,000 common share purchase warrants to SIDEX. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$1.05 per share. Each common share is subject to a four-month resale restriction. The loan is secured and must be repaid within 30 days from the receipt of the 2010 tax credits for resources, or by December 31, 2011, at the latest.

On September 15, 2010, the Company's entered into a \$2.5 million bridge loan with SIDEX, and repaid the loan and accrued interest on October 8, 2010. The loan bore interest at an annual rate of 9%, was secured by the 2009 refundable credit for resources-related expenditures. In connection with the loan, the Company issued 300,000 common share purchase warrants to SIDEX. Each warrant entitles the holder to acquire one common share of the Company for a period of 18 months at a price of \$1.00 per share.

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

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Under the offering, Sentient subscribed to 100,000 units at \$0.95 per unit for an amount of \$95,000. Each unit consists of one common share of the Company and half a warrant. Each warrant entitles its holder to purchase one share for \$1.00 during a 24-month period following the closing, and for \$1.05 during the subsequent period of 24 to 36 months after the closing. At closing, the Company issued a total of 100,000 shares and 50,000 warrants in consideration for this subscription of units.

Sentient also subscribed to 14,905 convertible notes for \$14,905,000, with a maturity date of February 27, 2015. Each tranche of \$1,000 in notes was accompanied by approximately 527 warrants for a total of 7,844,737 warrants exercisable on the same conditions as the warrants included in the units.

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

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 at closing through the issuance of 789,474 units, or 789,474 shares and 394,737 warrants exercisable on the same conditions as the warrants contained in the units.

The Company used the net proceeds of the transaction to finance exploration work, mainly for the acquisition of materials and infrastructure for its Matoush uranium project.

At the time of the financing, Sentient would have held an interest of 16,578,948 common shares, or 11.98% of the total number of issued and outstanding shares had the convertible notes been fully converted. In the event that all the warrants are also exercised, Sentient's interest would increase to 24,868,422 common shares, or 16.48% of the total shares issued and outstanding.

PROJECTS AND NEW ACQUISITIONS

On December 31, 2010, the Company had a portfolio of five wholly-owned mining properties, one joint venture and two mining properties under option, all located in Quebec. These properties comprise 1,068 claims for a total surface area of 56,747 hectares (567 square kilometres).

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 an agreement that was signed on July 6, 2005 with Vija Ventures Corporation ("Vija"). The property is subject to a 2% NSR royalty on any production, 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 January 14, 2008, the Company signed the final agreement to earn a 60% interest in the Pacific Bay-Matoush property owned by Pacific Bay Minerals, Ltd. ("Pacific Bay") located in the Matoush District of Quebec's Otish Mountains. The agreement calls for the Company to pay Pacific Bay a total of \$500,000, issue 200,000 common shares and incur \$3 million in exploration expenditures over four years, including a minimum of 10,000 metres of drilling at a rate of 2,500 metres per year. In addition, the Company acquired, on the signature date of the final agreement, 1,000,000 units of Pacific Bay at a price of \$0.30 per unit whereby each unit consists of one common share and one warrant to purchase a common share at \$0.60 per share for a period of 24 months. The warrants expired without being exercised.

In October 2009, the Company met its annual commitments for the year by completing the issuance of 40,000 common shares (valued at \$34,400 in 2009), paying \$100,000 and completing \$750,000 in exploration work including the minimum of 2,500 metres of drilling.

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In October 2010, the Company met its annual commitments for the year through the issuance of 50,000 common shares (valued at \$30,100 based on the share price on the date of the issuance of the shares) and by paying \$125,000. The annual commitments for 2010 regarding exploration work were not met as only \$298,224 was spent. The Company negotiated an amendment whereby the remaining exploration expenditures of 2010 will be added to the 2011 commitment increasing the 2011 exploration commitment to \$957,364, which will also meet the minimum requirement of metres to be drilled.

MISTASSINI PROPERTY

On February 14, 2010, the Company fulfilled its commitments for the second year of the option, as provided for in the option and joint venture agreement, dated February 14, 2008, between the Company and Majescor Resources Inc. (the "Agreement") and incurred the required exploration expenses of \$400,000 during this year of the option, for a total of over \$900,000 of exploration expenses.

Furthermore, on February 14, 2011, the Company fulfilled its obligations for the third year of the option pursuant to the Agreement, by incurring more than \$400,000 in exploration expenses on the property for a total of more than \$1,300,000 in exploration expenses on the property over a three-year period. Consequently, the Company has acquired its 60% interest in the uranium rights on the Mistassini property. The joint venture on the property should begin in the coming months.

EXPLORATION

In 2010, the Company continued to focus its efforts on the exploration and development of its best uranium project, the Matoush project. As part of its drilling program aimed at outlining the potential of the Matoush structure to host over 60 million pounds of U_3O_8 , the Company drilled 66 holes on the various properties of the Matoush project, for a total of 39,867 metres of drilling. Most notably, this drilling resulted in the discovery of a new mineralized zone along the Matoush fault, 1.5 kilometres south of the existing resources, as well as a new Matoush-type fault four kilometres to the west of the fault.

The Company incurred no major exploration work on the Apple, Mistassini, Quénonisca or Mont-Laurier Uranium properties during the year, as it continued to focus all its efforts on exploring its Matoush project.

The true widths of the mineralized intersections from holes drilled in 2010 have not yet been determined.

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 are discussed in the *Quality Assurance and Quality Control* section and can also be found in the *Quality Assurance and Quality Control* section 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, approximately 275 kilometres north of Chibougamau, consists of the wholly-owned Matoush, Matoush Extension and Eclat properties, as well as 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 square kilometres). No drilling was done on the Matoush Extension property in 2010. In all, 200,083 metres (444 holes) have been drilled on the Matoush project since exploration began in 2006.

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At the beginning of 2010, the Company began an ambitious 60,000-metre drilling program on the Matoush project as a whole, aimed at identifying new mineralized zones. Work started with one drill in operation, to which a second drill was added on January 27 and a third on February 13. The Company had a very good second quarter, despite the early, almost instantaneous thaw in May. In fact, in less than 72 hours, the Company had to stop using the road leading the southern edge of the Eclat property because of safety and environmental protection concerns. As a result, two drills stopped working on May 6 and the third was pulled out of the area to work on exploration elsewhere on the property. The Company had to continue work with only one drill in operation. A total of 39,867 metres were drilled. The program, which was supposed to total 60,000 metres, was cut to allow work to continue on the landing strip and to stay within the total budget for 2010.

In March, Terraquest flew a high-resolution airborne electromagnetic geophysics survey (XDS/VLF EM). The goal of the survey was to define linear geophysical anomalies representing Matoush-type faults that might potentially prove to host large mineralized lenses. It covered the entire Matoush project, including the Matoush, Matoush Extension, Eclat and Pacific Bay-Matoush properties, for a total of 1,754 line-kilometres. Mobilization and demobilization costs were shared with a neighbouring mining company.

The survey data was processed by MPH Consulting Ltd., who were mandated to highlight “Matoush”-type potential targets corresponding to dikes injected in the faults. Data processing highlighted targets to the east and west of the Matoush fault, in the area south of the Eclat property.

Subsequently, additional processing of the Terraquest data allowed this data to be analyzed with greater accuracy. This in-depth and extremely precise analysis led to the identification of new drill targets. In fact, the continuity at depth can be checked by eliminating certain surface anomalies and compiling the linear magnetic anomalies. This process identified a second series of geophysical targets, all outside the Matoush fault. The discovery of a strong linear magnetic anomaly on surface coinciding with a strong VLF anomaly indicated a strong likelihood that this anomaly is a similar structure to Matoush. The results proved conclusive, with the discovery in early October of a Matoush-type fault with identical alteration to that of the Matoush fault.

MATOUSH PROPERTY

In the first quarter of the year, holes were drilled in the southern extension of the known mineralized zones (lenses) (AM-15, MT-22, MT-34) to test the potential of the anomalous areas identified at the end of the 2009 program, specifically two areas located 1.5 kilometres and 2.5 kilometres, respectively, south of the MT-34 lens.

The four holes drilled returned a best intersection of 0.56% U_3O_8 over 0.5 metres in the area 2.5 kilometres south of the MT-34 lens (MT-10-004).

In the second quarter, the Company focused its efforts on the Eclat property to continue outlining the Matoush fault. Consequently, no drilling was done on the Matoush property, apart from the last 24 metres of a hole drilled at the beginning of April.

Five holes were drilled on the Matoush property in the third quarter. The first three holes were drilled to test for structures similar to the Matoush fault about one kilometre farther east, and confirmed the presence of faults, but failed to intersect any significant dikes or mineralization. They nevertheless provided important information on the structural setting of the property as a whole.

The two other holes were drilled to test the potential of anomalies identified by drilling in the first quarter of 2010 in the two areas of interest 1.5 and 2.5 kilometres south of the MT-34 lens. Both holes intersected the Matoush fault and strong fuschite alteration. In terms of mineralization, Hole MT-10-009, located 1.5 kilometres south of the MT-34 lens, intersected 0.21% U_3O_8 over 0.7 metres..

In the last quarter, the Company focused its exploration activities on the area considered highest priority, 1.5 kilometres south of the MT-34 lens. Seven holes were drilled over a distance of 300 metres along the Matoush fault, to vertical depths of between 390 and 500 metres, to test the potential at this level.

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The results were compelling, particularly the first hole (MT-10-011), which confirmed the presence of a new lens (MT-36) with one intersection of 0.49% U_3O_8 over 0.9 metres and another of 12.8% U_3O_8 over 0.3 metres in the footwall, nine metres from the Matoush fault. Hole MT-10-013, drilled 100 metres south of MT-10-011 at the same depth (400 metres), intersected 0.13% U_3O_8 over 8.6 metres, including 0.40% U_3O_8 over 2.0 metres. Three other holes intersected this new sub-horizontal lens concentrated in the upper part of the ACF-4: holes MT-09-035 (0.17% U_3O_8 over 2.0 metres), MT-10-009 (0.21% U_3O_8 over 0.7 metres) and MT-09-036 (0.48% U_3O_8 over 4.2 metres including 1.29 % U_3O_8 over 1.2 metres). These values are similar to those intersected within and around lenses AM-15, MT-22 and MT-34.

Analytical assays for the MT-36 lens can be found under the *Matoush Project – Longitudinal* tab on the Company's website (www.stratecoinc.com).

In 2010, 17 holes were completed for a total of 10,268 metres.

ECLAT PROPERTY

For the first two quarters, the exploration strategy for the Eclat property was to systematic drill along the Matoush fault at a 200-metre spacing to identify favourable areas.

Twenty holes were drilled in the first quarter over a distance of approximately 3.6 kilometres south from Section 67+00S, which lies 3.5 kilometres south of the MT-34 lens. The fault was intersected in every hole, with variable fuschite alteration ranging from medium to strong. The area of most interest lies along an 800-metre interval between sections 67+00S and 75+00S. Hole EC-10-002 is of particular note, with an intersection of 0.67% U_3O_8 over 1.2 metres. Hole EC-10-016 also merits mention, with an intersection of 0.21% U_3O_8 over 0.7 metres (Section 96+50S).

Another area of interest, between sections 75+00S and 87+00S, is characterized by intense fuschite/tourmaline alteration, as well as the presence of other dikes running parallel to the Matoush fault. The alteration halo has a true thickness of up to 250 metres, which indicates potential for the discovery of mineralization.

Drilling in the second quarter was aimed at continuing to define the Matoush fault on a 200-metre grid and to follow-up on the anomalies located between lines 110+00S and 118+00S. A total of 21 holes were drilled.

These holes were particularly aimed at following up on holes that, in 2009, had intersected uranium mineralization worthy of note about six kilometres south of the MT-34 lens. This area is particularly interesting because of the presence of anomalies along nearly one kilometre of the Matoush fault, and the fact that it is located above a basement rock transition zone, which indicates strong potential. Two holes confirmed the potential of this area, with intersections of 0.03% U_3O_8 and 0.05% U_3O_8 respectively, both over 0.5 metres.

In the third quarter, the Company continued to test the uranium potential along the Matoush fault. Four holes were drilled. Two holes drilled on a spacing of about 100 metres were aimed at following up on anomalies in the same area as in the second quarter. Hole EC-10-044 returned the best results, with an intersection of 0.04 % U_3O_8 over 7.0 metres, including a 2.5-metre section grading 0.08% U_3O_8 . With its pierce point at a vertical depth of 690 metres, this hole proved to be the deepest drilled to date in this area of interest, about 150 metres from the basement rock.

The Company did not conduct exploration on the Eclat property in the fourth quarter, but worked on the Matoush and Pacific Bay-Matoush properties instead.

In 2010, 46 holes were completed for a total of 27,588 metres.

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PACIFIC BAY-MATOUSH PROPERTY

On the Pacific Bay-Matoush property, where the Company has an option to acquire a 60% interest, prospecting work was done in the second quarter on the north-south belt to the west of the Eclat South area. This led to the discovery of a 3.0 metre anomalous sub-outcropping boulder measuring up to 1,800 counts per second approximately four kilometres west of the Matoush fault.

This new, previously unexplored area was suddenly of particular interest because the geophysical survey data processing discussed earlier revealed the presence of a north-south lineament about four kilometres long containing two clearly identified targets for fourth quarter drilling.

The three holes drilled early in the fourth quarter to test this structure were highly successful. A Matoush-type fault called the Alfred fault, with identical alterations to those of the Matoush fault, was intersected over 365 metres. The geophysical anomaly indicates that the Alfred fault extends to the north and south. This is one of the most important discoveries on the Matoush project outside the Matoush fault corridor. These holes, which returned weak uranium grades, show that other Matoush-type structures (faults) exist throughout the Matoush project. This area is a high priority for the first quarter of 2011 for the discovery of significant mineralization.

In 2010, 3 holes were completed for a total of 2,010 metres.

EVALUATION

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 been reviewed by the authors of the report, David A. Ross, M. Sc., P. Geo., and R. Barry Cook, P. Eng., of Scott Wilson Roscoe Postle Associates Inc. (“Scott Wilson RPA”). *The Matoush Mineral Resources Update* dated September 18, 2009, was prepared and reviewed by David A. Ross, M. Sc., P. Geo., of Scott Wilson RPA, and is available on the Company’s website at www.stratecoinc.com. The technical data based on recent information has been reviewed by Jean-Pierre Lachance, the Company’s Executive & Exploration Vice President. These three individuals are all qualified persons as defined in *NI 43-101*.

SCOPING STUDY

On February 24, 2010, the Company announced an update of the Matoush property economic assessment by Scott Wilson RPA, with the participation of Melis Engineering Ltd. for processing and SD Energy Associates Ltd. (“SD Energy”) for marketing and price determination. The scoping study once again shows the very strong economics of the Matoush project.

The scoping study is based on the *National Instrument 43-101*-compliant indicated and inferred resource estimate done by Scott Wilson RPA in September 2009.

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

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Notes:

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

The following is a summary of the scoping study. The study update can be found on the Company's website (www.stratecoinc.com) and on SEDAR (www.sedar.com).

The scoping study is based in part on inferred resources, and is preliminary in nature. Inferred resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as mineral reserves. There is no certainty that the reserve development, production and economic forecasts on which this preliminary assessment is based will be realized.

I ORE PRODUCTION AND RECOVERED METAL

The mining plan was developed on mineral resources configuration. Recovered metal is based on metallurgical tests done at SGS Lakefield Research Ltd. in Lakefield, Ontario. An average recovery of 97.6% is used. Potential grade includes 15% mining dilution at zero value. Mill design was modified to increase annual mill capacity from 2.0 million to 2.7 million pounds U₃O₈.

Year	Mill feed (x 1,000)	Grade % U ₃ O ₈	Recovered metal 97.6% (x 1,000) pounds U ₃ O ₈
1	169.8	0.639	2,391.3
2	240.6	0.400	2,124.2
3	262.7	0.461	2,668.9
4	262.2	0.522	3,018.9
5	249.5	0.561	3,085.0
6	224.1	0.496	2,451.2
7	239.6	0.468	2,472.3
TOTAL	1 648.6	0.501	17,774.8

II REVENUE

- The price scenario was established by SD Energy in September 2008 in the initial scoping study, with a long term price from US \$60.00 to US \$90.00 per pound U₃O₈ over the life of the project and an evaluation price of US \$75.00 per pound U₃O₈.
- The exchange rate US \$/CAN \$ is \$0.85.
- Transport to smelter in North America is \$0.10 per pound.
- Royalty 2%.

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

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III OPERATING COSTS

Mining	\$91.64 /T milled	Maintenance	\$24.86 / T milled
Process	\$92.74 /T milled	Site services	\$32.68 / T milled
Power (generators)	\$35.77 /T milled	Administration	\$22.43 / T milled
Average operating cost: \$300.12/T milled			
CAN \$27.84/pound		US \$23.66/pound	

IV OPERATING PROFIT

Year	CAN \$	Year	CAN \$
1	131,819,000	5	189,170,000
2	107,096,000	6	136,345,000
3	153,437,000	7	139,824,000
4	182,793,000		
Total operating profit: CAN \$1,040,484,000			

V CAPITAL COSTS

	(x 1,000) CAN \$	(x 1,000) CAN \$
Direct capital costs		191,009
Mine	32,466	
Process	143,136	
Infrastructure	15,398	
Indirect capital costs		48,568
Contingency		52,273
Capital spare		980
Before start-up		<u>292,830</u>
Sustaining capital (6 years)		19,126
Closure		30,000
Mine life capital costs		<u><u>341,955</u></u>

VI FINANCIAL

Internal rate of return before tax: 41.5%

NET PRESENT VALUE (NPV) before tax	
Discount rate %	(x 1,000) CAN \$
5	475,550
8	377,640
10	323,530
15	218,070

VII SENSITIVITY TO PRICE

PRICE	US \$/lb	NPV (x 1,000) CAN \$
	75.00	323,530
0.67	50.00	31,700
0.80	60.00	148,260
1.00	75.00	323,530
1.07	80.00	381,890
1.14	85.50	446,220

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Despite significant inflation in operating costs in the mining industry, the Matoush project now shows even stronger economics than in the initial scoping study. The project economics could improve even further if operating costs decline. The Company is continuing to assess various engineering alternatives to enhance the project economics, such as the use of windmills to supply power for the project. Closure costs were kept to \$30 million, and work will be done on reducing this major cost.

As demonstrated in table VII above, the profitability of the Matoush project is sensitive to uranium commodity prices. The uranium price outlook is positive and while there are many uranium exploration and development projects worldwide, there are also many nuclear power generating plants under construction, and or under plans of construction, particularly in China, India and Russia as forecasted energy demands rise and the power industry migrates away from a reliance on coal-generated power.

The recent events in Japan have had an impact on the current uranium spot price. Analysts have commented on the events in Japan but have not significantly revised their positive outlook on the overall uranium and nuclear power sector.

ENGINEERING, PERMITS AND LICENSES

STUDIES / PERMITS / AUTHORIZATIONS

Following the October 2009 filing of its environmental impact statement for the Matoush project with the CNSC, the Company received questions and comments from various authorities aimed at expounding on or completing certain aspects of the environmental impact statement related to the permit for the underground exploration phase. The Company sent some of the questions to the various consultants involved, including Golder Associates (“Golder”), SENES Consultants Limited (“SENES”), Groupe Stavibel Inc. (“Stavibel”), Scott Wilson RPA and GENIVAR Income Fund (“GENIVAR”). The other questions were dealt with in-house.

A first series of questions and comments was sent to the Company by the CNSC in January. All the questions were answered by the Company and its consultants and then returned to the CNSC for comments in June.

On April 30, the Company also received a request from COFEX for additional information on the Matoush project environmental impact statement. Responses to the questions from COFEX and certain federal ministries were filed with the Canadian Environmental Assessment Agency (“CEAA”) on August 9, as planned. The filed documents also included responses to questions posed by the public at information meetings and by representatives of the Mistissini Department of the Environment, as well as to additional requests from the CEAA following Supreme Court of Canada judgements declaring federal jurisdictional control over the environmental study evaluation process, even on projects located in the province of Quebec.

On June 18, the Company also received COMEX’s official questions and comments on the environmental impact statement. An earlier meeting had taken place on June 9 to discuss these questions with analysts from the Ministry of Sustainable Development, Environment and Parks (“MSDEP”). The questions and comments from the provincial committee (COMEX) were by and large the same as the federal (COFEX) questions. On September 24, one week before the deadline, the Company filed responses to the COMEX questions and comments on the environmental impact statement with the MSDEP.

Responses to all the additional questions on the Matoush project environmental impact statement were therefore provided to the various authorities involved.

In the first quarter of 2010, the operations and engineering department pursued its efforts to prepare the underground exploration program set to begin once the Company has obtained the required permits.

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The consultants retained by the Company made progress on a number of fronts. Golder undertook the preparation of a technical memo on field work done at the end of the summer of 2009. The memo includes data on surface water quality, benthos (aquatic organisms that live at the bottom of water bodies) and a number of corrections to the environmental impact study. The technical memo (*Addenda A to the limited environmental impact assessment for the Matoush underground exploration project*) was filed with the MSDEP on March 2, 2010. Golder also reviewed the translation of the preliminary impact study that they helped prepare.

GENIVAR completed a certificate of authorization application for the expansion of the camp and waste and drinking water treatment system. The application was filed in January at the regional office of the MSDEP in Rouyn-Noranda. Additional information later requested by the MSDEP was provided, and the file is now complete.

In January and February, SENES finalized the translation of the study sections on air quality and risk to the ecology and human health.

In February, the Company filed the French version of the environmental impact statement for the Matoush uranium project underground exploration program with the MSDEP (provincial) and the CEAA (federal).

For the four-season road, the Company sent a letter in March to deputy ministers of the MSDEP and the Ministry of Natural Resources and Wildlife to inform them of certain changes made following a meeting with representatives of the Quebec Transport Ministry (“MTQ”) and various other participants. In fact, the Company decided to withdraw its authorization request for the construction of a four-season road along the winter road route within the future provincial park from kilometre zero to kilometre 73.5. It was agreed that within the future national park, the MTQ’s route would prevail over the route of the old winter road. However, the Company maintained its request for a certificate of authorization for the construction of the four-season road on the section of road lying between kilometre 73.5 and kilometre 130, which is outside the future park. To date, the Company has not had any news on its certificate of authorization application for the section of four-season road between kilometres 73.5 and 130.

In March 2011, as part of the 2011 provincial budget, the Quebec government announced an allocation of \$278.6 million dollars for the extension of highway 167 into the Otish Mountains.

In April, the Company received the certificate of authorization for the expansion of the Matoush camp and its drinking and waste water treatment system.

Pursuant to a directive issued by the Provincial Evaluation Committee (“COMEVE”) in May 2010, the Company’s team provided more detail for some of the studies on the exploitation of the borrow pit on areas covering more than three hectares and located near a water body. Poly-Geo Inc. was retained to perform field work and prepare the report. The field work was carried out between June 8 and 16.

Two impact study reports on the results for deposit DG-9 and deposits DT-1, DT-8, DT-18, DT-19, DT-20, DG-5 and DG-8 were filed with the MSDEP in July and September, respectively. Comments regarding these studies were finally received from COMEX on January 17, 2011.

On August 8, the MSDEP approved the Company’s a request for exemption from the impact assessment and study process for use of a remote landfill, filed with the MSDEP on April 19, 2010. It should be noted that, among other things, remote landfill use is allowed as long as camp capacity does not exceed 50 people, or the equivalent of, year-round. On August 11, the MSDEP also approved the Company’s request for exemption from the impact assessment and study process for temporary storage of contaminated soil, filed with the MSDEP on April 28, 2010.

GENIVAR was selected from among five potential consultants to conduct a groundwater monitoring program, as well as a background soil sampling program on the property. These two programs were included in the document prepared in response to the COMEX questions which was filed with the MSDEP on September 24, 2010. The groundwater monitoring field program is scheduled to be set up in February 2011, and the soil sampling program in May 2011.

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In the last quarter, many technical exchanges took place with the CNSC and the MSDEP. The CNSC sent the Company numerous requests, both formal and informal, for additional information on the programs and procedures. Many technical exchanges also took place with the MSDEP, primarily regarding the monitoring program and the final effluent discharge site.

Finally, the application for the amendment of certificates of authorization for the operation of three borrow pits has been approved, and these deposits can therefore now be mined to greater depths.

SITE WORK

One of the highlights of the year was the considerable progress in the building of the landing strip. The landing strip now handles the transport of manpower and materials required for the operation.

The contract for the construction of the landing strip and the access road was granted to Les Entreprises Carsa Inc., a contractor affiliated with the Mistissini Crees. Work on construction of the landing strip began in May. Construction of the landing strip access road began in the first quarter.

The construction of the access roads for the landing strip and the borrow pits were completed in the second quarter according to plan. Installation of the contractor's crushers to produce the materials required for construction of the landing strip began, and all the permits for the landing strip were obtained from the various ministries. The authorization certificate was issued on June 21, 2010.

In the third quarter, Consultants Aurus Inc. conducted quality control on compaction and grain-size distribution for landing strip work. This project is being supervised by GENIVAR in conjunction with the Company's own supervisor. The MG112b granular layer is 100% complete, and the MG-56 coarse is 80% complete. The final MG-20 layer will be applied in the summer of 2011.

Work on of the landing strip construction progressed so well throughout the year that the inaugural flight with a landing on the Matoush project runway took place in the last quarter of the year, on October 15. Since then, manpower and equipment have been transported directly between Chibougamau and the Matoush landing strip.

On November 9, landing strip construction work was halted for the rest of 2010 due to the onset of winter. An MG-31.5 mm class gravel layer was laid the length of the landing strip, over a 30-metre width, to a thickness of about eight centimetres. The last flight of the year took place on December 16.

The Company also carried out other engineering work on its Matoush uranium exploration project. In the first quarter, the winter road was maintained from the time it opened on February 10 until it closed on March 15, 2010. All the planned and necessary transports took place, despite abnormally mild winter temperatures. The Company also prepared an information document with various guides and forms, which will be used to ensure that transport personnel comply with environmental management and occupational safety requirements.

The Company also installed a number of new temporary structures on site to meet the needs of the exploration program. These buildings included three megadomes, two dormitory trailers and one office trailer. A new, higher-capacity generator was also added to meet future requirements, and an overhead power line was installed to provide power to the temporary structures.

In the second quarter, due to the mild winter weather mentioned above, which caused rapid melting and large amount of mud on the construction zone access routes, the Company was obliged to suspend some of its activities during the spring thaw. Normal activities resumed in mid-June.

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Other infrastructure work was also done in the third quarter, including the installation of a concrete floor in the megadomes of Major Drilling Group International Inc. and the Company, installation of the trailers for the new offices, construction of the road to the future fuel depot and a section of access road between the camp and the winter road, construction of the enviroseptic system for the sewers and connection of the fuel tanks for the semi-automatic supply to the generator. Installation of the trailers for the new offices took place with the help of Les Entreprises Matoush, and the mound, leaching bed, septic tank and pumps were installed in conjunction with ASDR Environnement. The enviroseptic system should meet the needs of the camp for the foreseeable future.

On November 24, 2010, the sewers were connected to the septic tank, new offices and camp. The aqueduct, septic tank, septic field and pumps were also all operational as of that date. The old Seprotech sewage treatment system will be emptied and returned to the supplier.

The fuel tanks used to feed the generators were connected to function semi-automatically with a new pump. The work was done by SM Construction Inc. and then inspected by Stavibel. Changes made to the installation of the fuel facilities following the Stavibel inspection were accepted, and the Company received the compliance certificate on December 23, 2010.

The bulk of the site electrical work, which was to take place during the year, was completed. The connections between the new 500kw generator and the other site installations were completed; the megadomes, new offices, sewage facilities, core shack and generator semi-automatic feed are now all powered by the new generator. The alternator for the 300kw generator was also changed. An electrical engineer from GENIVAR has been overseeing the project since the end of August.

Finally, the concrete base for the installation of the communications antenna near the new offices was completed, and the antenna is now up and running.

HEALTH & SAFETY

As part of its occupational health and safety program, the Company increased the number of control measures to avoid accidents at the project site. Victim evacuation drills were also conducted at the site, and the contractors' work areas are now inspected on a much more frequent basis.

The Company also organizes occupational health and safety meetings for all employees and contractors on the site, and prepares and distributes many health and safety documents. Short descriptions of the health and safety programs that would apply to an underground exploration phase can be found in the "Health and Safety" section of the Company's website at www.stratecoinc.com.

None of the readings from the 50 thermoluminescent dosimeters worn by workers at the camp were over the device detection limit of 0.1 mSv. The dosimeters are analysed by Heath Canada.

FUTURE JOBS / MANPOWER

A meeting was held in June with the Cree Human Resources Development ("CHRD") to discuss, in particular, their employment integration, new enterprises employment assistance and employment training programs. The CHRD's mandate is to develop Cree and non-Cree skills by providing support and financing for the creation of new jobs or worker training. The Company has set local population hiring and training targets for the Matoush project underground exploration program. These can be found in the Matoush project environmental impact statement, available on the Company's website at www.stratecoinc.com.

On December 31, 2010, there were 37 members of the Company's team which is comprised of 17 at the Matoush camp and 20 at the corporate office.

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COMMUNITY AND INVESTOR COMMUNICATIONS

LOCAL COMMUNITY RELATIONS

The year 2010 was very full in terms of communications and community relations. The Company took many steps to maintain and strengthen relations with the communities of Mistissini and Chibougamau-Chapais. Once again, the Company's team did everything possible to ensure that the public remained informed on the nature of the work and uranium-related issues, making a particular effort to remaining open and transparent.

In the first quarter, the Company continued to take the steps required to establish and maintain good relations with the First Nations and James Bay residents. It opened offices in Mistissini and Chibougamau, created the position of director of community relations and appointed a liaison officer from the Cree community, providing a direct link between the Company and the communities involved and offering residents local access to information on the various issues related to the Matoush project. The Company's local representatives held multiple meetings with residents and local authorities. Their presence is a direct response to a request from the communities for the Company to be more present in the communities involved.

In addition, in the interest of further promoting the development of harmonious relations with the Mistissini Cree community and informing its members on development related to the Matoush project, the Company organized two meetings in February, one with the Cree family whose trap line covers the Matoush facilities and deposit, and another with the chief of the Cree Nation of Mistissini.

The Company also held information meetings throughout the quarter. In particular, it organized meetings with local authorities, local organizations, the regional committees involved in the project, local contractors, professionals from the region and the public, so as to involve the various stakeholders, maintain an open dialogue, look into concerns and disclose information on the Matoush project.

In fact, various authorities, including the Regional Conference of Elected Representatives of the James Bay ("CREBJ") and Learning Together, took the initiative of organizing information activities in the municipalities of Mistissini and Chibougamau-Chapais. The Company encourages this type of activity, as it leads to a better understanding of the issues surrounding uranium exploration and mining, among other things. It is then much easier for communities to arrive at an accurate understanding of the facts surrounding the uranium industry.

One of these initiatives, the visit by four aboriginal chiefs from Saskatchewan, certainly helped shed light on the realities of living near a uranium mine. Organized by Chief John Longchap and Learning Together, these information sessions were well received by local residents. The chiefs, who represent the Canadian communities most directly affected by uranium mining, were unequivocal about the impacts of uranium mines on health and the environment: after 50 years of uranium mining, the health of their communities, the environment, water, game and fish is intact, even with a uranium mine less than 30 kilometres away. Their respective communities also enjoy the direct benefits of uranium mining.

The Company also uploaded its new website in mid-March, at www.stratecoinc.com. The website was optimized so as to be more accessible, powerful and user-friendly in order to inform the public more effectively. The Company also acquired a new management tool that allows it to update the site regularly, so that the public can have access to the latest developments regarding the Company's activities. Henceforth, the public will have fast, easy access to the documentation put out by the Company. Local community residents, investors and anyone else involved or interested can use the site to find answers to their questions, and even communicate with the Company's team.

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The second quarter was also very busy and productive in terms of community communications and relations. First, with the full-time presence of a director of community relations at the Company's offices in Mistissini and Chibougamau and an assistant a member of the Cree Community, there were a large number of meetings with local residents. In early May, a tour of the trap cabins from Temiscamie to Mistissini took place to distribute information on the Matoush project and answer residents' questions, in English and Cree. The personalized meetings were very well received, and allowed the Company to hear firsthand the concerns of the local population.

A communications tool was also developed to enable the Company to obtain additional information on land use. A questionnaire was distributed to the tallymen near the Matoush project to determine their habits in terms of hunting, fishing and other traditional activities. Various individual follow-up meetings were also held to identify the more active zones in each trapping area.

Through the CREBJ, Company representatives were then invited to present the Matoush project development to elected officials of the Jamésie Territory. This meeting led to an interesting exchange that allowed critical information on the project to be communicated. Once again, the Company was able to respond to the questions raised while taking note of the comments and concerns of local elected officials.

One of the highlights of the second quarter was the public information meetings held in Mistissini and Chibougamau on May 25 and 26. These meetings provided the Company with the opportunity to present the results of its environmental impact study to local residents, as well as representatives of COMEX, COFEX, the CNSC, Health Canada and the MSDEP. This first phase of the public hearing process in particular allowed everyone to ask questions, make comments and express their concerns. This exercise once again enabled the Company to listen to the local communities concerns of the Matoush Project.

In preparation for the public information meetings, GENIVAR created a 3D animation for the Company on the Matoush project. The video provides, in both English and French, a simple, visual explanation of all the stages of the Matoush project development, including all the stages of uranium exploration and the operation of a future uranium mine. This informative video was prepared in response to specific questions from COFEX, and was used as an introduction during the public information meetings. It is now posted on the Company's website (www.stratecoinc.com) and on YouTube. It is an exceptional information tool accessible to a very broad audience.

Company representatives then participated in a number of meetings in Mistissini and Chibougamau throughout the month of June, most notably with the James Bay Joint Action Mining Committee, *La Ruée vers le Nord* (The Lure of the North), the Director-General of Mistissini, the CHRD and the Mistissini Department of the Environment. All these meetings were part of the Company's communications program, which aims, among other things, to include local communities in the Matoush project development decision process. The subjects discussed included the creation of a "uranium committee", notably authorized by the CEAA and headed by the Mistissini Department of the Environment. This committee was created to involve people from the community in the decision process for uranium exploration and mining in the territory. Despite the Company's desire to collaborate with the Mistissini uranium committee to provide the basic, necessary information on the Matoush project development, the committee has thus far refused any form of cooperation with the Company.

During the second quarter, the Company also continued to encourage local community initiatives to provide information on issues related to uranium exploration and mining. These included information evenings organized by the CREBJ "uranium committee" in Chapais and Chibougamau on May 12 and 13, providing an opportunity for the public to be informed by uranium industry experts.

In the third quarter, the Company's desire to win the support of its stakeholders was reflected by the many meetings held.

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Following the Mistissini Band Council election in July, the Company met with the new chief, Richard Shecapio, as well as the newly-elected councillors. This first official meeting, held with the new chief and his predecessor, Chief John Longchap, was an opportunity to present the Matoush project, including the various aspects of the project, from its beginnings in 2006 up until today, as well as future plans. The importance of establishing good relations and the spin-offs for the Cree community were also discussed. Local representatives and Company management spoke regularly with various representatives of the Mistissini community to answer their questions and keep them informed on current and future developments.

The Company also organized Matoush project site visits for a number of stakeholders. During various visits, representatives of COFEX and the CNSC, Chief Richard Shecapio, a member of the Cree Regional Authority, band council members and representatives of the Mistissini Department of the Environment and Department of Economic Development were able to visit the Matoush property to see the facilities. The visitors appeared impressed by the size of the project, the progress of the operations and the quality of the infrastructure. More specifically, they commented positively the cleanliness of the site, the site recycling practices and the tour of the megadomes, core shack and landing strip. The visitors were thus able to visualize and form an accurate picture of the Matoush uranium project, which helped adjust some preconceived ideas.

During the third quarter, the initiatives of local authorities also contributed to informing the public on the Matoush project. The Company was delighted with elected officials' willingness to transmit neutral, scientific information to their constituents. These efforts necessarily contributed to a healthy climate conducive to constructive, beneficial discussion. For instance, the Mistissini community was invited both to ask CNSC representatives questions directly on the radio and to participate in a radon information meeting in Mistissini.

The Company also took advantage of media coverage of the parliamentary commission on *Bill 79, An Act to amend the Mining Act, 1st session, 39th legislature, Quebec, 2009* to answer questions on uranium exploration and mining from journalists. It was a good opportunity for the Company to inform Quebecers on the facts about uranium. As a major player in the Quebec uranium industry, the Company also insisted on filing and presenting a brief to this parliamentary commission. Numerous suggestions were made to support the judicious supervision and development of the industry. Commission members were receptive to these suggestions and to the reasons given by the Company for the development of a Quebec uranium industry.

Other important meetings also took place in the last quarter. First, the Company's local representatives continued to meet individually with many Mistissini community residents. These many meetings, which in fact took place throughout the year, allowed the Company to inform people, answer their questions, learn about their concerns and above all show that it has a real desire to be present in the communities and involve local residents.

A visit to the Matoush site took place on October 15, 2010, with Jamésie elected officials and on November 10 with the tallymen and representatives of the trap line families. Once again, the Company believes that these visits greatly enhance understanding of the issues related to the Matoush project, and give rise to the kind of discussions needed to establish good relations.

Finally, the year ended with the second stage of the public hearings on the environmental impact statement for the underground exploration phase of the Matoush project. These meetings, held on November 23 in Mistissini and November 25 in Chibougamau, allowed the public to express their opinions on the project and/or present a brief.

The Company receive considerable support at the public hearings: nearly 50 local and regional authorities, businesses, organizations and individuals confirmed their support for the project in letters, briefs and presentations. The Company feels that it has considerable support from the Jamésie Territory, which represents more than 14,000 people, the tallymen and Cree families, one of whose trap lines cover the Matoush project infrastructure and deposit, as well as certain members of the Cree community.

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Nevertheless, the Company takes the refusal of the Cree Nation of Mistissini to support the project very seriously. On December 3, following the public hearings, the Company agreed to a proposal from the Cree Mineral Exploration Board to set up a communication program to disseminate transparent, reliable and comprehensible information on the Matoush project to enable the Mistissini community to arrive at an enlightened decision. The Company plans to pursue its efforts to develop and deepen its relations with the Mistissini Cree to properly respond to their concerns and eventually secure their support.

In summary, in light of this information, the Company feels that it has clearly made numerous, extensive efforts to inform local communities during the year, not to mention since the start of the Matoush project in 2006. Over 200 meetings and information activities took place with local communities. The Company has clearly assigned considerable importance to openness and transparency so as to disseminate the information and knowledge required for the public to better understand the uranium industry.

INVESTOR RELATIONS

On the investor relations front, several members of the Company's team travelled to Toronto in the first quarter of 2010 for the meeting of the Prospectors and Developers Association of Canada ("PDAC") from March 7 to 10. Guy Hébert, the President and Chief Executive Officer, made a presentation at the meeting, outlining the reasons to invest in the Company. He also travelled to Europe from February 1 to 5 and to Florida from February 28 to March 3 to attend the Global Metals & Mining Conference, and gave media interviews to inform investors and the public on the Matoush project developments.

Mr. Hébert made many presentations in the second quarter, in Europe from May 2 to 8, as well as in Montreal and Toronto on several occasions. Company management also continued to meet with potential Canadian and foreign partners. Early in the quarter, the Company also announced that it had retained the services of Renmark Financial Communications Inc. ("Renmark") to assist in its investor relations activities. The Company also held its annual and special meeting of the Company's shareholders on May 27, where the shareholders re-elected the directors and appointed the Company's auditors, and renewed the shareholders rights plan for a three-year period.

In the third quarter, the Company continued to establish relationships with new investors and maintain its long-term relationships. To achieve this, Mr. Hébert participated in, among other things, the World Nuclear Association annual conference in London from September 14 to 17 and the Macquarie Global Nuclear Conference 2010 in Toronto on September 30.

Finally, the Company closed 2010 with a number of investor relations-related activities. In the last quarter, Mr. Hébert travelled to Victoria, Vancouver, San Francisco and London (Ontario) from October 27 to November 5 for meetings organized by Renmark with retail brokers and their clients. In response to the interest shown in the Company and uranium, Mr. Hébert also went to Toronto on November 11 for institutional meetings.

All these meetings are part of the Company's intensive investor relations program. Their number and scope are an indication of the importance that the Company accords to investors, as well as the general public.

STRATEGY AND ACTION PLAN

LICENSE

The Company plans to sustain and accelerate its efforts to make the Matoush project first uranium project in Quebec to carry out underground exploration and the first in Canada to be developed by a so-called junior company in this cycle, meaning in nearly 25 years.

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To do this, the Company is pursuing its efforts to obtain the license needed to begin excavating the exploration decline. The public hearings in November were the last stage in the public review process for the environmental impact statement for the underground exploration phase of the Matoush project. The chairmen of COMEX and COFEX have indicated that they should be in the position to submit their recommendations at the end of February 2011 regarding approval of the environmental impact statement. The CNSC will then be in a position to announce whether it recommends that the Company be granted a permit for its underground exploration program on the Matoush project. This decision must be ratified by the Canadian minister of the environment.

The Company is optimistic that it will be granted a license, as it has shown through detailed studies that the environmental and health impacts are negligible, and that the Matoush deposit has considerable potential. It has also demonstrated the significance of the economic and social benefits and has substantial support from the Jamésie Territory as well as from the trap line families and tallymen. Finally, it firmly believes that it can re-establish a relationship of trust with the Cree Nation of Mistissini.

COMMUNITY RELATIONS

The Company is determined to pursue its efforts to inform the local communities and the general public. It is confident that, in 2011, the implementation of the communications program set up by the Cree Mineral Development Board will help it respond to the concerns and expectations of the Cree, while at the same time involving them in the Matoush project development. The Company's local representatives and management are increasing the number of meetings with local stakeholders, and will make sure that the issues related to the Matoush project are well understood. The Company fully intends to show that it deserves the support that it received at the public hearings, particularly from the Jamésie Territory, and that it will act in such a way as to merit the respect and support of the Mistissini Cree community.

EXPLORATION

In terms of exploration, a drilling program of about 30,000 metres is planned with two drills in operation. This phase of drilling will be focused on the Matoush (100% interest), Pacific Bay-Matoush (option on 60%) and Mistassini (60% interest) properties. This 30,000-metre phase is part of a major 120,000-metre campaign that began in October 2009. Over 43,600 metres have already been drilled. The Company is confident that this exploration work will enable it to increase the Matoush project uranium resource.

On the Matoush property, the Company plans to focus drilling first on the area between lenses MT-22 and MT-34, and then on the northern extension of the MT-34 lens.

Fifty kilometres southwest of the Matoush property, a helicopter-borne drill was mobilized on the Mistissini property in mid-January 2011. A drilling program of about 1,000 metres was planned; however, due to budget constraints and poor weather conditions that hampered helicopter manoeuvres, the program was reduced to less than 500 metres, and was completed on February 9, 2011.

Pursuant to the agreement signed by the Company and Majescor Resources Inc., on November 27, 2008, the Company earned a 60% interest in the uranium rights of the Mistassini property by incurring a total of \$1.3 million in exploration expenses over three years. With the completion of the latest drilling program, the Company earned its 60% interest on February 14, 2011. The Mistassini property consists of 171 claims covering a surface area of 9,115 hectares.

A drill was mobilised in mid-February on the Pacific Bay-Matoush property, in the vicinity of the Alfred fault, four kilometres west of the Matoush fault.

The first holes of the 2011 program will test the southern and northern extensions of the Alfred fault. Approximately 5,000 metres of drilling are planned on the Pacific Bay-Matoush property as a whole during the year. Besides the Alfred fault area discovered in October 2010, the Rabbit Ears area, nine kilometres northeast of the Matoush deposit, is also of interest.

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In addition to exploration work of approximately \$1.0 million planned for 2011, the Company must make a \$175,000 payment and issue 70,000 shares on or before October 29, 2011, to earn its 60% interest in the Pacific Bay-Matoush property.

ENGINEERING

On the engineering front, construction work will be done on the landing strip in the summer of 2011. No other work is planned for this year until the permit is obtained from the CNSC. Once the permit has been granted, the Company will begin work on the portal.

FINANCING / INVESTOR RELATIONS

On the financing front, the Company will pursue its aggressive strategy to maintain its strong financial condition and ensure a high shareholder return. The private placements of \$15 million with Sentient and \$13 million with the syndicate of underwriters attest to the Company's drive to develop its properties over the long term.

The president and chief executive officer will also continue to meet with investors throughout the year. Presentations and individual meetings have already taken place, in Europe in January and in Boston and New York in February. The Company will also have a presence at the various mining shows, like PDAC in March 2011. As usual, the Company will make considered decisions and act in such a way as to establish a relationship of trust with its investors.

QUALITY ASSURANCE AND QUALITY CONTROL

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. The Company 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 data base. Laboratory replicates and laboratory standards are checked. Internal duplicates, blanks and standards are checked. Analytical drift from expect 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: QA/QC

The sampling program at Matoush, 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 *National Instrument 43-101*.

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Core is split on site using a hydraulic splitter and samples are taken at intervals from 30 centimetres to three metres depending on their geological characteristics. Sealed sample bags are stored in a locked facility prior to shipment. Samples are shipped by plane to the Temiscamie float plane base and then trucked to Chibougamau, where they are sent by courier to the *Geoanalytical Laboratories* of the *Saskatchewan Research Council* (“SRC”) in Saskatoon. The laboratory is accredited by the Standards Council of Canada as an ISO/IEC 17025 laboratory for Mineral Analysis Testing. On arrival at SRC, samples are sorted into lots according to radioactivity level, and are prepared and analysed in this order. Samples are dried and jaw crushed to 60% passing -2 millimetres, and split into quarters using a riffler to obtain a 100 to 200 gram subsample. 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. Once the samples are prepared, the SRC measures U_3O_8 content using various methods. ICP 4-3R (partial digestion) and fluorimetry are used if total U_3O_8 content is less than 100 PPM. ICP 4-3 (total digestion) is used for samples with normal to high radioactivity, which is the case for most of the samples submitted. Samples with greater than 1,000 ppm U_3O_8 are also subjected to an aqua regia digestion before determination of U_3O_8 wt% using ICP. Results are reviewed on a continuous basis.

In addition to chemical analysis, the Company 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 **eU₃O₈ (equivalent U₃O₈)** 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 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, is 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.

Consequently, counts per second is 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 **eU₃O₈** represents the **estimated** or **equivalent** **eU₃O₈** value 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. The Company can clearly show that all its 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.

Although the Company could indicate that reported U_3O_8 values are estimated from gamma probe readings, it is best to use **eU₃O₈** for clarity, if applicable, as per the CIM guidelines cited here: “Equivalent Assay: Determination of uranium content by radiometric methods. The validity of Equivalent Assays must be demonstrated with chemical assay determinations. Where employed, equivalent uranium determinations should be reported and appropriately illustrated in the database (e.g. **eU₃O₈**).” Excerpt: <http://www.cim.org/committees/estimation2003.pdf> at page 50 of 55.

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METHODOLOGY FOR THE USE OF THE GAMMA PROBE – REPRESENTATIVITY (*partial 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 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).

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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 metres, it can be significant for the Matoush project where drill holes usually exceed 300 metres and can go as deep as 800 metres 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.

U₃O₈ AND eU₃O₈ COMPARISON

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 for analytical procedures.

Comparing the downhole gamma log data against the assay results is best made on a GT basis for a number of 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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DEFERRED EXPLORATION EXPENSES

Deferred exploration expenses for the year ended December 31, 2010	Matoush	Matoush Extension	Eclat	Apple	Pacific Bay-Matoush	Mistassini	Total
	\$	\$	\$	\$	\$	\$	\$
Balance beginning of period	32,148,398	453,340	997,781	1,402,072	812,577	490,719	36,304,887
Additions							
Consultants and subcontractors	2,543,748	35,918	851,735	17,521	118,940	2,167	3,570,029
Infrastructure, access roads, fuel depot and others	2,050,071	-	-	373	-	-	2,050,444
Drilling	1,805,369	-	2,831,105	-	208,278	-	4,844,752
Transport and fuel	1,658,843	-	689,871	-	17,297	-	2,366,011
Geophysics	58,623	2,156	2,240	-	56,946	-	119,965
First aid	173,218	-	-	-	-	-	173,218
Laboratory and analysis	107,583	-	250,398	-	14,612	19,352	391,945
Travel and lodging	793,377	-	368,000	-	81,822	-	1,243,199
Canadian Nuclear Safety Commission costs	262,587	-	-	-	-	-	262,587
Management fees	510,128	216	309,131	560	27,984	359	848,378
Supplies and equipment rental	285,303	-	-	-	1,451	-	286,754
Rolling equipment maintenance	50,237	-	-	-	-	-	50,237
General expenses	372,259	-	-	1,800	-	-	374,059
Environment	318,306	-	-	-	-	-	318,306
Stock-based compensation	216,186	-	-	-	-	-	216,186
Amortization of property and equipment	1,210,242	-	-	52,121	-	-	1,262,363
	12,416,080	38,290	5,302,480	72,375	527,330	21,878	18,378,433
Credit for mining duties and other exploration credits	(5,085,551)	(16,700)	(2,325,098)	(9,058)	(228,951)	(16,958)	(7,682,316)
Write-down	-	-	-	(750,000)	-	-	(750,000)
Net increase	6,410,489	21,590	2,977,382	(686,683)	298,379	(4,920)	9,946,117
Balance end of period	38,558,887	474,930	3,975,163	715,389	1,110,956	495,639	46,251,004

Pursuant to the financing closed on December 23, 2010, the Company had to incur exploration expenses of \$5,000,040 on its projects by December 31, 2011. As of December 31, 2010, \$50,121 of expenditures were incurred however none was disbursed.

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Deferred exploration expenses for the year ended December 31, 2009	Matoush		Eclat	Apple	Pacific Bay-Matoush		Total
	Matoush	Extension			Matoush	Mistassini	
	\$	\$	\$	\$	\$	\$	\$
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
Canadian Nuclear Safety Commission costs	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 December 8, 2009, the Company had to incur expenses of \$2,500,000 on the Matoush project by December 31, 2010. The full exploration expenses commitment was met on the \$2,500,000 flow-through financing.

STRATECO RESOURCES INC.
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SELECTED INFORMATION AND OPERATING RESULTS

	2010	2009	2008
	\$	\$	\$
Income – Interest	43,203	54,046	446,328
Expenses			
General, administrative and other expenses	(2,199,493)	(1,509,975)	(1,292,583)
Stock-based compensation	(405,423)	(543,199)	(1,089,533)
Accretion expense on notes payable, convertible notes and asset retirement obligations	(1,180,405)	-	-
Amortization of property and equipment	(38,702)	(19,146)	(5,071)
Unrealized gain on changes in fair value of investment	90,000	10,000	(265,000)
Write-down of deferred exploration expenditures, mineral properties and property and equipment	(5,400,000)	-	(356,690)
Future income taxes recovery	1,237,553	525,000	1,028,000
Net loss	(7,853,267)	(1,483,274)	(1,534,549)
Net loss per share, basic and diluted	(0.063)	(0.012)	(0.013)

	2010	2009	2008
	\$	\$	\$
Total assets	88,838,088	61,655,744	59,761,590
Long term liabilities			
Obligations under capital leases	45,003	171,522	-
Future income tax liability	-	1,293,000	1,876,000
Asset retirement obligations	1,316,413	160,000	-
Convertible notes	5,588,713	-	-
	6,950,129	1,624,522	1,876,000

Results of operations

For the year ended December 31, 2010, the net loss has increased by \$6,369,993 as discussed below.

In accordance with its accounting policies, the Company reviewed the carrying value of its mining properties as at December 31, 2010. Based on the analysis performed, the Apple property and the related deferred exploration expenses and property and equipment were written down by \$4,500,000, \$750,000 and \$150,000, respectively.

For the year ended December 31, 2010, a stock-based compensation expense of \$405,423 was recognized in the statement of operations, comprehensive loss and deficit (\$543,199 for the same period in 2009). The lower expense is primarily attributable to a greater number of options being issued over an 18-month vesting period and as such the related costs will be expensed over a longer period as opposed to being expensed immediately.

Accretion expense of \$1,180,405 was also recorded on the loans payable, on the convertible notes and on the asset retirement obligations. These expenses had no impact on the Company's cash position in the period.

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General, administrative and other expenses increased to \$2,199,493 for the year ended December 31, 2010, from \$1,509,975 for the same period in 2009 due to the following:

- Legal, accounting and audit expenses increased to \$396,692 at year ended December 31, 2010, from \$270,726 at December 31, 2009 because of the increased level and complexities of financial transactions and exploration and development activities;
- Consulting costs increased to \$677,196 from \$430,328 also due to the advancing development of the Company;
- Increased level of activities by the Company creating additional office expenses;
- Public relations increased to \$631,726 from \$381,880 due to an increase in investor presentations in Canada and in Europe as well as to a contribution to the Communic-Action Funds;

Interest expense increased on a result of the loans from SIDEX and additional capital leases.

Financing fees increased due to various financing initiatives during the year.

The future income tax recovery was primarily a result of the write-down of the Apple group of assets.

DIVIDEND POLICY

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

CASH ASSETS AND SOURCES OF FINANCING

The Company's working capital stood at \$12,545,789 at December 31, 2010 (\$8,441,128 at December 31, 2009) including cash and cash equivalents of \$10,057,889 (\$321,065 at December 31, 2009). The Company also has \$5,000,040 (\$2,473,260 at December 31, 2009) of funds reserved for exploration at December 31, 2010. This working capital includes \$8,149,396 of tax credits receivable at December 31, 2010 (\$9,306,880 at December 31, 2009). Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2011. The current funding shortfall should largely be offset by the receipt of refundable tax credits and potentially by short term loans similar to those arranged in 2010. The funding shortfall may also be met in a number of ways including but not limited to, the issuance of new debt or equity instruments, further expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements.

The Company's operating activities utilized \$3,134,606 for the year ended December 31, 2010 (\$1,087,793 at December 31, 2009). The increase in cash utilized is consistent with the increase in the operating expenses discussed in the "Results of operations" section of this Management's Discussion and Analysis.

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The Company's investment activities primarily consist of funds used in exploration work and the addition of mining properties and property and equipment. 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 (although not yet enacted, the Quebec' government's 2010 budget proposes changing the rate from March 31, 2010 to 14% escalating to 15% and 16% in 2011 and 2012, respectively) and limiting refunds on losses to 50% of eligible expenditures funded with non-tax renounced flow-through funds). The estimated value of all such credits receivable for expenses incurred during the year ended December 31, 2010 is \$7,404,312. In the third quarter of 2010, the Company obtained \$2,500,000 in short-term financing which was secured against the 2009 tax credits related to resource exploration expenditures. The 2009 tax credits were received in the fourth quarter and the loan and accrued interest were repaid in full. In the fourth quarter of 2010, the Company obtained \$4,000,000 in short-term financing which was secured against the 2010 tax credits related to resource exploration expenditures. During the year ended December 31, 2010, the Company received \$6,803,163 in resources tax credits (\$8,310,361 in 2009). Financing activities in the year ended December 31, 2010 also included a common shares, warrants and convertible note issuance of \$15,000,000, a brokered private placement of \$13,000,493 of common shares, warrants and flow-through common share and a non-brokered private placement of \$1,494,000 of common shares and warrants.

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

QUARTERLY FINANCIAL INFORMATION

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

	Dec. 31 2010	Sept. 30 2010	June 30 2010	March 31 2010	Dec. 31 2009	Sept. 30 2009	June 30 2009	March 31 2009
Total income	\$ 20,157	\$ 5,206	\$ 7,462	\$ 10,378	\$ 2,441	\$ 8,203	\$ 12,046	\$ 31,356
Net loss	(5,481,976)	(848,900)	(1,159,362)	(363,029)	(526,573)	(261,978)	(236,613)	(458,110)
Net loss, per share, basic and diluted	(0.044)	(0.007)	(0.009)	(0.003)	(0.004)	(0.002)	(0.002)	(0.004)

The higher loss in the second quarter of 2010 was attributable to stock-based compensation and the accretion expense. These factors impacted other quarters results as well.

The primary factors contributing to the increase in the loss in the fourth quarter of 2010 were a write-down of deferred exploration expenses, mineral properties and property and equipment of \$5,400,000 and accretion expense of \$377,362. An increase in activities and the advancement of the Company contributed to an overall increase in the general and administrative expenses in all quarters of the year.

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FOURTH QUARTER

	2010	2009
	\$	\$
Income – Interest	20,157	2,441
Expenses		
General, administrative and other expenses	(633,436)	(487,802)
Stock-based compensation	(24,077)	(25,970)
Accretion expense on notes payable, convertible notes and asset retirement obligations	(377,362)	-
Amortization of property and equipment	(11,081)	(6,242)
Fair value variation for financial instruments held for trading	75,000	(35,000)
Write-off of deferred expenditures and mining properties	(5,400,000)	-
Future income tax recovery	868,823	26,000
Net profit (loss)	(5,481,976)	(526,573)
Net profit (loss) per share, basic and diluted	(0.044)	(0.004)

The loss for the quarter ended December 31, 2010 was higher than the same period last year as a result of:

- The write-down of deferred exploration costs, mineral properties, and property and equipment of \$5,400,000 relating to the Apple property;
- Accretion expense of \$377,362;
- An increase in activities and the advancement of the Company contributing to a higher level of general and administrative expenses

The significant items affecting cash flow in the fourth quarter were the receipt of the \$4,000,000 SIDEX loan, the receipt of \$6,803,163 of tax credits, the repayment of the \$2,500,000 SIDEX loan and the receipt of \$14,494,493 in brokered and unbrokered private placements.

CONTRACTUAL OBLIGATIONS

Contractual Obligations	Payments due by period			
	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$
Convertible notes	-	-	14,905,000	-
Loans payable	4,350,685	-	-	-
Obligations under capital leases	290,504	51,310	-	-
Operating leases	91,467	-	-	-
Asset retirement obligation	-	1,893,000	-	-
Total contractual obligations	381,971	1,944,310	-	-

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 Mr. Guy Hébert, the president of BBH, is also the president and a director of the Company.

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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.

The Company's Board of Directors approved the BBH service agreement without Mr. 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, 2010	December 31, 2009
	\$	\$
Expenses capitalized in the statement of deferred expenditures		
Consultants and subcontractors ⁽¹⁾	3,695,000	2,937,000
Management fees	848,378	632,000
General and administrative expenses in the statement of earnings and deficit		
Professional fees ⁽¹⁾	917,000	679,000
Rent	62,000	62,000
Share issue costs charged against capital stock	38,000	2,000
Management fees charged against property and equipment	328,841	12,000

⁽¹⁾ The increase in these expenses is primarily attributable to an increase in the number of consultants needed as the development of the Company advances.

In addition, a company controlled by the former chief financial officer and treasurer in function from June 9, 2009 until May 12, 2010 charged accounting fees of \$81,204 for the year ended December 31, 2010.

At December 31, 2010, accounts payable and accrued liabilities included an amount of \$540,000 (\$397,000 at December 31, 2009) 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 for the efforts they invest in achieving the Company's goals.

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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.

Critical estimates include estimates of the tax credit receivable, valuation of future income tax assets and liabilities, the useful life of property and equipment, impairment charge of mining properties, deferred exploration expenditures and property and equipment, assumptions used in determining asset retirement obligations including the expected timing of payment of the total undiscounted amount of the estimated cash flows required to settle the obligations, the evaluation of the carrying value of the components of the convertible notes and the fair value of stock options and warrants granted. Actual results could therefore differ from these estimates. Actual results could therefore differ from these estimates. Concerning the valuation of mining properties and deferred expenditures, the risk assessment includes, but is not limited to, indicators such as recent exploration activity and or interruptions in exploration activity, changes in base commodity prices market capitalization (a function of the publicly traded share price), availability of sufficient financing, and geological evidence of mineralized ore.

Based on an assessment for impairment, the Apple property, the related deferred exploration expenses and the related property and equipment ("Apple assets") were written down by \$4.5 million, \$750,000 and \$150,000, respectively, on a pro-rata basis of their carrying value as at December 31, 2010, representing an impairment loss of \$5.4 million.

The Company estimated the fair value of the Apple assets, representing 50% of the carrying amount of the Apple assets, through application of the market approach utilizing the average variation of the share price calculated from guideline public companies between December 31, 2010 and September 6, 2007, which was the acquisition date of the Apple property by the Company through the issuance of common shares. Guideline public companies are uranium exploration-stage public companies located in Canada that are considered to provide a reasonable basis for comparison to the relative investment characteristics of the property being valued.

Property and equipment including assets recorded under capital lease are amortized using the straight line method until 2014, which is the anticipated timing of the final production decision with the exception of certain machinery, rolling stock and computer equipment which are amortized over a three to five year period.

The asset retirement obligation also utilizes the 2014 timing of production decision in determining the fair value of the obligation, the timing of the cash out flows and in amortizing the corresponding asset.

CHANGES IN ACCOUNTING POLICY

The Company adopted new accounting policies in the year regarding convertible notes and debt issue costs in response to the various debt financing arrangements entered into during the year. During the adoption of these policies, the Company chose policies which would allow harmonization with International Financial Reporting Standards.

CONVERTIBLE NOTES

The liability, equity components and others (when applicable) of convertible notes are presented separately on the balance sheet starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of operations, comprehensive loss and deficit.

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

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes and it is presented in Shareholders' Equity as an equity component of convertible notes.

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

DEBT ISSUE COST

Debt issue costs are presented as a reduction of convertible notes and loans payable and are amortized according to the effective interest method.

FUTURE ACCOUNTING CHANGES

The Company will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook - Accounting for the periods beginning on January 1, 2011 when it will start to apply International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook – Accounting as its primary basis of accounting. Consequently, future accounting changes to Canadian GAAP are not discussed in these financial statements as they will normally never be applied by the Company

IFRS CONVERGENCE

Conversion to International Financial Reporting Standards

In February 2008, the Accounting Standards Board announced that the accounting framework under which the financial statements are prepared for all publicly accountable companies will be replaced by International Financial Reporting Standards starting January 2011. The first set of yearly financial statements under IFRS will be for the year ending December 31, 2011, including comparative information for the year ending December 31, 2010.

The conversion requirement from Canadian GAAP to IFRS raises both financial and non-financial issues with potential implications of risk, financial reporting, internal controls and stakeholder relations, however the fact that the Company is an exploration stage company limits such impact.

The Company formed a team and initiated the conversion project in 2009 and the audit committee has been provided with a quarterly update on the developments. The project is on target to meet the changeover date.

The Company is using a four step process to convert to IFRS (“International Financial Reporting Standards”):

STEP 1: DIAGNOSTIC

The initial diagnostic stage has been completed with a preliminary gap analysis of the accounting and business processes.

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STEP 2: DESIGN AND PLANNING

STEP 2.1: ACCOUNTING POLICIES

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, the 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 govern the Canadian GAAP and 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 all of 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 the 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).

IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP. When an impairment loss subsequently reverses when it is justified by a change of circumstances, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the statement of comprehensive loss.

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").

The Company assessed and reviewed the triggering events and found that no impairment losses were required to be recognized upon transition. Nevertheless, in the subsequent years, this policy could generate more impairment than Canadian GAAP would since it uses a one-step test.

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 recording actual forfeitures as they occur.

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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.

The Company believes that the changes of this policy will have a very limited impact.

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.

Under IFRS, exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

Other than classification between tangible and intangible assets, the Company believes that the changes of this policy will have no impact on the Financial Statements on the changeover date and in subsequent years as the Company will continue to use the cost model methodology.

Property, plant and equipment (IAS 16, IFRIC 1)

Under IFRS, the Company can elect to measure property plant and equipment (“PPE”) 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 PPE with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. The IFRS may result in additional details needed to maintain the PPE sub-ledger. Under IFRS, the residual value, the amortisation period and the useful life of an asset shall be reviewed at least at each year end. Canadian GAAP requests the same review but only on a regular basis.

The Company believes that the changes of this policy will have no impact on the Financial Statements on the changeover date since its PPE were simple. Nevertheless, when the Company obtains the right to build the exploration ramp, additional attention will be needed to identify the different parts of each PPE. The cost model will be retained at the transition date and subsequently.

Convertibles notes (IAS 32 et IAS 23)

Under IFRS, compound instruments that have both liability and equity characteristics are split into these components upon initial recognition. The carrying amount of the compound instrument is allocated between its debt and equity components so that the liability is recognised at its fair value and the equity component as the residual. Canadian GAAP permits this allocation to be made using the relative fair value method or by assigning the less easily measurable component as the residual.

When accounting for the January 27, 2010 convertible notes placement, the Company recognized the liability component at its fair value and the equity component as the residual in compliance with IFRS. This accounting policy choice is also allowed under Canadian GAAP.

Under IFRS, borrowing costs directly attributable to the acquisition or construction of a qualifying asset must be capitalized. When accounting for the January 27, 2010 financing and the two short-term loans, the Company adopted an accounting policy to expense these borrowing costs. This will have to be reviewed in detail as it may create a convergence adjustment.

Asset retirement obligation (IAS 37)

IFRS requires decommissioning provisions to be measured based on management’s best estimate of the expenditures that will be made. Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions.

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IFRS uses discount rates that reflect the risks specific to the decommissioning provision. Under Canadian GAAP, the discount rates for the asset retirement obligation are based on the entity's credit-adjusted risk-free rate.

Finally, the adjustments under IFRS to decommissioning provisions are made each period for changes in timing or the amount of future cash flows, changes in the discount rate and the unwinding of the discount. Canadian GAAP is similar except for changes in discount rates that alone do not result in a remeasurement of the provision. Also, unlike IFRS, changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability. When changes in estimates increase the liability, the additional liability is discounted using the current discount rate, like IFRS.

IFRS defines site restoration and environmental provisions as legal and constructive obligations. Canadian GAAP limits the definition as legal obligations.

The Company believes that the changes of this policy may have an impact on the Financial Statements on the changeover date. In subsequent years, the Company will have to remeasure the provision more often if the actualisation rate changes.

Financial instruments (IAS 39)

Under IFRS, all financial assets must be classified into "loans and receivables", "held-to-maturity", "fair value through profit or loss" or "available-for-sale" categories. Like IFRS, all financial assets under Canadian GAAP must be classified into "loans and receivables", "held-to-maturity", "held-for-trading" (fair value through profit or loss) or "available-for-sale" categories. However, there are certain differences from IFRS with respect to the types of assets that may be classified into each of these categories.

Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met. Like IFRS, financial instruments under Canadian GAAP may be designated on initial recognition as held-for-trading (and measured at fair value through profit and loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRS.

The Company is presently evaluating the impact of these potential modifications.

Leases (IAS17)

The Company has elected to use an IFRS 1 exemption to evaluate the existence of whether certain arrangements contain leases as at the transition date of January 1, 2010 considering facts and circumstances existing at that date. As a result, retrospective evaluation and restatement is not required.

STEP 2.2: FINANCIAL STATEMENTS PREPARATION

IFRS will require more in-depth disclosure. The Company is already taking the necessary steps to develop a model for IFRS financial statements, identify information gaps and necessary changes in reporting, processes, systems and controls, and to design a process to prepare the IFRS comparative information. The Company will continue to adjust the IFRS financial statements model to ensure compliance with IFRS.

STEP 2.3: IT SYSTEMS

The Company is determining the change necessary to information technology and data systems, including how to accumulate the data necessary for the fiscal 2010 comparatives. The additional financial information that will need to be presented and disclosed in the financial statements should not lead to significant presentation and process changes to report more detailed information in the notes of the financial statements.

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STEP 2.4: INTERNAL CONTROLS:

During the fourth quarter 2010, Management reviewed existing internal control process and procedures to address significant changes to existing accounting policies and practices. While the existing internal controls were deemed to be sufficient there may be some modifications identified after all accounting changes are identified. The Company will continue to assess the impact that the accounting changes will have on the internal control process and procedures.

STEP 2.5: IMPACT ON THE BUSINESS:

The Company assessed impacts on all areas of the business and has determined that the effects on its commercial activities in terms of contractual agreements, incentive plans, budgeting and financial risk management strategies, for example, are minor. The Company will continue to assess the impact on the business throughout the transition process.

STEP 3: IMPLEMENTATION

In this stage the Company will implement the changes that have been developed and will complete systems testing. The tasks to be accomplished within this stage are to produce an opening balance sheet, complete systems testing and end user testing.

STEP 4: POST IMPLEMENTATION

During this stage the Company will perform a review of the IFRS transition and ensure the preparation of financial statements in compliance with IFRS.

It should also be noted that the IASB, the oversight body for IFRS, continues to 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. Many of these ongoing projects may become required after 2011.

The Company has processes in place to ensure that the impact of such potential changes on the consolidated financial statements are monitored and evaluated.

OUTSTANDING OR RESERVED SHARE DATA

	March 21, 2011
	Number
Common shares outstanding	140,023,206
Reserved common shares for eventual exercise of outstanding stock options	4,855,500
Reserved common shares for eventual exercise of outstanding warrants	14,809,025
Reserved common shares for eventual conversion of outstanding convertible notes	15,689,474
Outstanding or reserved common shares - diluted	175,377,205

FINANCIAL INSTRUMENTS

MARKET RISK

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity 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, 2010, 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 \$13,500.

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(a) 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 Company has cash balances and the Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. As of December 31, 2010, the Company had \$10,000,000 (December 31, 2009 - \$1,000,000) invested in various financial institutions bearing interest at a rate of 1.05% (0.40% as at December 31, 2009). Sensitivity to a plus or minus 1% change in the rates would not affect the reported net income and reported shareholder equity significantly. The obligations under capital leases and the loans payable bear interest at a fixed rate while the convertible debenture does not bear interest. A fluctuation of plus or minus 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.

(b) Fair value

The fair value of financial instruments is summarized as follows:

	2010		2009	
	Carrying amount	Fair Value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	10,057,889	10,057,889	321,065	321,065
Investment	135,000	135,000	45,000	45,000
Funds reserved for exploration	5,000,040	5,000,040	2,473,260	2,473,260
Prepaid expenses and other expenses	370,761	370,761	287,348	287,348
Financial liabilities				
Accounts payable and accrued liabilities	2,907,777	2,907,777	1,697,302	1,697,302
Obligations under capital leases	320,247	320,247	328,336	328,336
Loan payable	3,775,843	4,000,000	-	-
Convertible notes	5,588,713	5,903,000	-	-

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

The Company's financial instruments as at December 31, 2010 consist of cash and cash equivalents, investments, exploration fund, prepaid expenses and other accounts payable and accrue liabilities and loans payable, obligations under capital leases and convertible notes. The fair value of these financial instruments is discussed above and approximated their carrying value due to their short maturity and current market rates with the exception of the loans payable and the convertible notes.

(c) Fair value hierarchy

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

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities, cash and cash equivalents and investments
- Level two includes inputs that are observable other than quoted prices included in level one: - none
- Level three includes inputs that are not based on observable market data: - none.

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CREDIT RISK

The financial instruments which expose the Company to market risk and concentrations of credit risk include cash and cash equivalents, exploration funds and prepaid expenses and other. The Company invests part of its cash and cash equivalents and funds reserved for exploration in investment certificates guaranteed by and held with a Canadian chartered bank. Other accounts receivable consists of sales tax receivable from the Federal and Quebec Governments and the tax credits receivable are from the Quebec Government.

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.

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

RISK FACTORS

OPERATIONAL RISKS FACING EXPLORATION AND MINING PROJECTS

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

RESOURCE DEVELOPMENT RISKS

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

EXPLORATION (GEOLOGICAL) RISK

The probability of an individual prospect ever having reserves that meet the requirements of Industry Guide 7 is extremely remote. Most exploration projects do not result in the discovery of ore. In all probabilities, the majority of the properties do not contain any reserves and any funds spent on exploration will probably be lost.

COMMODITY RISK

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

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RISK UNTIL REGISTRATION OF TITLES ON PROPERTIES

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

ENVIRONMENTAL AND OTHER REGULATIONS

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Company or its ability to develop its properties economically. Before a property can enter into production, the Company must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained or that they will be obtained in a timely manner. The cost related to assessing changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Company considers that it is in material compliance with the existing environmental legislation.

OPTIONS AND JOINT-VENTURE AGREEMENTS

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

FINANCING AND DEVELOPMENT

The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to obtain the additional financing required. There can be no assurance that the Company will succeed in obtaining the required funding. Failure to do so may lead to substantial dilution of its interests (existing or proposed) in its properties. The inability to attract sufficient financing and or experienced personnel may negatively affect the profitability or the viability of a project. Future financing may take a variety of forms, the nature and conditions of which cannot be reliably predicted. Debt financing may include restrictive covenants. Equity issuances may have a dilutive effect on current shareholders. Management is continually working to secure the necessary financing needed to achieve the objectives of Company.

PERSONNEL RISK

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

INFORMATION DISCLOSURE CONTROLS AND PROCEDURES

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

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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, 2010. Based on this assessment, the President and Chief Financial Officers have concluded that such controls and procedures were effective and provided reasonable assurance that material information on the Company was adequately disclosed to them by other Company personnel.

EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management maintains a system of internal control over financial reporting to provide reasonable assurance that assets are safeguarded from any loss or unauthorized use and that financial information is reliable and available in a timely manner. They have also designed or had designed internal controls over financial reporting to provide reasonable assurance that financial reporting is reliable and that the financial statements are designed to report financial information in accordance with Canadian generally accepted accounting principles.

There were no important changes in the internal control over financial reporting during the year ended December 31, 2010, 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, 2010, these officers concluded that the ICFR was effective.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This management discussion and analysis is dated March 21, 2011, and complies with Canadian Securities Administrators’ *National Instrument 51-102* on continuous disclosure. The purpose of this management discussion and analysis is to help the reader understand and assess the material changes and trends in the Company’s results and financial position. It presents Management’s perspective on the Company’s current and past activities and financial results, as well as an outlook of activities planned for the coming months. The Company regularly discloses additional information through press releases and other reports filed on the Strateco (www.stratecoinc.com), and SEDAR (www.sedar.com) websites.

(signed) Guy Hébert

(signed) Paul Einarson

Guy Hébert
President and Chief Executive Officer

Paul Einarson
Chief Financial Officer