



## **INTERIM MANAGEMENT DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2011**

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# **STRATECO RESOURCES INC.**

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### **SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS**

The following analysis should be read in conjunction with the audited financial statements of Strateco Resources Inc. ("the Company") pursuant to Canadian generally accepted accounting principles ("GAAP") for the year ended December 31, 2010, as well as the unaudited condensed interim financial statements for the periods ended March 31, 2011, June 30, 2011 and September 30, 2011. The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the unaudited condensed interim financial statements. In this management discussion and analysis ("MD&A"), the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS. The unaudited condensed interim financial statements for the quarter ended September 30, 2011 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1, including comparative figures. The audited financial statements have been prepared in accordance with Canadian GAAP. All amounts are in Canadian dollars unless otherwise indicated.

### **FORWARD-LOOKING STATEMENTS**

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

### **INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN**

The Company was incorporated under the *Canada Business Corporations Act* by articles of incorporation dated April 13, 2000.

The Company is primarily engaged in the exploration of mining properties with a view to commercial production. It does not currently have any mines in production. The Company has a portfolio of four mining properties in which it hold a 100% interest, one option and two interests in three mining properties, all in Quebec. Together, these properties cover 941 claims for a total area of 49,606 hectares (496 km<sup>2</sup>). The Company's activities are focused on the exploration and development of the Matoush project. With the exception of some projects in the Athabasca basin in Saskatchewan, the Matoush project in the Otish Mountains of northern Quebec can be considered one of the highest-grade uranium projects in the world.

Recovery of the cost of mining assets is subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to pursue exploration and development of its properties, and profitable future production or the proceeds from the sale of its properties. The Company will periodically need to obtain new funds to pursue its activities. While it has always succeeded in doing so to date, there can be no assurance that it will continue to do so in the future.

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### URANIUM MARKET

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

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

Yet, many analysts remain optimistic about the future of the uranium market. Despite Germany's announcement that it was ending its nuclear program, which could also occur in Switzerland and Italy, demand for uranium resources remains strong. Indeed, global energy demand is growing steadily, and the number of nuclear reactors continues to climb.

Worldwide, there are presently in excess of 440 nuclear reactors in some 30 countries and more than 60 nuclear reactors are under construction in some 15 countries, mainly in Asia. A stronger presence for nuclear power is also anticipated in South Korea and Russia, as well as in new countries looking to diversify their energy sources, like the United Arab Emirates and Saudi Arabia.

### HIGHLIGHTS

The third quarter was marked by a number of developments, primarily in relation to exploration work and the licensing of the underground exploration phase of the Matoush project. The Company is therefore continuing to work on preparing to start the advanced exploration phase once a final decision is made on the granting of the license.

The 2011 drilling program, which reached its goal of 30,000 metres in the third quarter, generated very promising results. Holes MT-11-032 and 033, drilled south of the MT-34 lens in the third quarter, both intersected mineralization, with respective grades of 0.36% U<sub>3</sub>O<sub>8</sub> over 27.5 metres, including 1.37% U<sub>3</sub>O<sub>8</sub> over 3.0 metres, and 1.39% U<sub>3</sub>O<sub>8</sub> over 4.8 metres, including 3.62% U<sub>3</sub>O<sub>8</sub> over 1.60 metres.

Then, radon surveys conducted on some of the properties of the Matoush project led to the identification of new drill targets. The first survey, started on the Mistassini property in the second quarter and completed in the third quarter, established the mineralized footprint of the drilled area of the property on surface. The second radon survey, conducted above the AM-08, AM-15 and MT-22 lenses on the Matoush project, showed that surveying could detect uranium mineralization associated with Matoush-type structures at various depths. Finally, a third survey covering the Matoush Extension and Eclat properties identified interesting radon anomalies. All the survey results are discussed in more detail under *Exploration Activities*, below.

Meanwhile, the licensing process took a major step forward last July when the Federal Review Panel South ("FRP-S") and the Canadian Nuclear Safety Commission ("CNSC") rendered their recommendations on the environmental impact statement for the underground exploration phase of the Matoush project. These decisions are described in more detail under *Engineering, Permits and Licence*, below. Both bodies recommended that the licence be granted, subject to certain notices and conditions to be met by the promoter, most notably social acceptance of the project on a local and regional scale. The CNSC also concluded that "the project, taking into account the mitigation measures identified in the Comprehensive Study Report ("CSR"), is not likely to cause significant adverse environmental effects".

The CSR, which includes the FRP-S environmental assessment report and an addendum from CNSC staff, was submitted to the federal Ministry of the Environment on August 15. The public then had until September 15 to review the report and make comments, and the minister now has until December 5 to render his decision, taking the public's comments into accounts.

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The Company is confident that it can fulfill the conditions set by the federal authorities and the stakeholders, first and foremost the Cree community of Mistissini. In this regard, the Company has initiated a new process of dialogue and consensus-building with the Cree Nation of Mistissini. Various meetings have been held to discuss measures to ensure that the Matoush project is developed in close collaboration with the Crees, in a spirit of partnership. For instance, a “Mistissini-Strateco” committee should be set up to allow for better consultation and collaboration, and a mining projects liaison officer should be appointed in the Band Council. The establishment of these various initiatives will be addressed in a future memorandum of understanding, a draft of which was presented by the Crees to the Company.

In short, the Company is pleased with the progress made on the various aspects of the Matoush project in the third quarter. In the areas of exploration, licensing of the underground exploration phase and community relations, the Company made the efforts required to ensure the success of the Matoush project.

### **FINANCING**

#### PRIVATE PLACEMENTS

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

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

During the third quarter, the Company has not entered into any common share private placements or any other type of financing agreements.

### **PROJECTS AND NEW ACQUISITIONS**

#### PACIFIC BAY-MATOUSH PROPERTY

On January 14, 2008, the Company and Consolidated Pacific Bay Minerals, Ltd. (now Pacific Bay Minerals Ltd.) (“Pacific Bay”) signed a final agreement with an effective date of October 29, 2007, allowing the Company to earn an undivided 60% interest in the Pacific Bay-Matoush property, located in the Matoush District of Quebec’s Otish Mountains (the “Agreement”). 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 at least 2,500 metres per year. In addition, at the signature date of the final agreement, the Company acquired 1,000,000 units of Pacific Bay at a price of \$0.30 per unit, each unit consisting of one common share and one warrant to purchase a common share at \$0.60 for a period of 24 months. The warrants expired without being exercised.

On October 29, 2011, the Company issued 70,000 additional common shares for a total cumulative issuance of 200,000 common shares and incurred exploration expenditures of \$1.0 million for cumulative \$3.0 million of exploration expenditures that also meets the minimum requirements of 10,000 metres of drilling in the option period.

On October 27, 2011, the Company and Pacific Bay modified the agreement regarding the extension of the option period and the mode of payment of the \$175,000 cash payment. The Company made a partial payment of \$50,000, and the parties agreed to allow the Company to pay the remaining \$125,000 cash payment within five business days of the receipt of Quebec refundable tax credits on resources for the year ended December 31, 2010, or no later than December 15, 2011. Under the terms of the modified agreement, the Company may exercise its option once it has met this final commitment, and will then hold a 60% undivided interest in the property.

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Once the option is exercised, the Company will be designated as the manager of the joint venture committee for as long as it owns an interest of 50% or more in the joint venture.

In the event of production, a 2% yellowcake royalty is payable on the part on the joint venture whose interest has been diluted to 10% or less. Pacific Bay has also given an exclusive undertaking to pay alone a 2% NSR to Pierre Angers, to which the Company is not obliged to contribute.

**EXPLORATION ACTIVITIES**

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

The quality assurance and quality control protocols described in **NOTE 1** of the "**Strategy and Action Plan**" section in the **2010 Annual Management Discussion and Analysis for the year ended December 31, 2010**, are included herein by way of reference. This note provides a technical description of the exploration program analytical procedures, sampling methods, quality assurance and control including information on the use of the letter "e" in  $eU_3O_8$ , which represents the **estimated** or **equivalent**  $U_3O_8$  value determined using a calibrated spectral or gamma probe, the methodology for the use of the gamma probe and, finally, a comparison of  $eU_3O_8$  and  $U_3O_8$  results. This technical description can also be found in the *Quality Assurance and Quality Control-QA/QC* section of the Company's website, at [www.stratecoinc.com](http://www.stratecoinc.com).

In the third quarter, 8,131 metres were drilled in 16 holes using a single drill assigned exclusively to the Matoush property. The results were very encouraging, particularly from holes MT-11-032 and 033, located just 200 metres from the MT-34 lens. This drilling was part of a 30,000-metre program for 2011. The program goal was achieved, with a total of 30,081 metres drilled since January. In all, 231,753 metres (508 holes) have been drilled since exploration began in 2006.

In addition to the drilling program, a radon survey was carried out on the Matoush, Matoush Extension and Eclat properties, where the Company holds a 100% interest, as well as on the Mistassini property, where it owns a 60% interest in uranium rights.

Finally, a soil geochemistry survey was carried out above the MT-22, AM-15 and MT-34 lenses.

The Company did not do any exploration in the third quarter on the Apple property (100% interest), the Pacific Bay-Matoush property (option to acquire a 60% interest) or the Quenonisca property (50% interest in joint venture with SOQUEM).

**MATOUSH PROJECT**

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

*Matoush Property*

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

Three holes were drilled over a distance of 550 metres to test the extension of the mineralization just south of the MT-34 lens.

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

Two other holes drilled in the promising area around Hole MT-09-006, about 1 km south of the MT-34 lens, intersected interesting results: Hole MT-11-035 returned 0.02%  $eU_3O_8$  over 5.3 metres including 0.16%  $eU_3O_8$  over 1.7 metres, and Hole MT-11-036 yielded 0.03%  $eU_3O_8$  over 8.0 metres. These holes showed alteration with a high degree of fuschite, tourmaline and oxides, which could be indicators of mineralization.

The area around the MT-36 lens, located about 1.5 km south of the MT-34 lens, was also drilled at the top of the ACF4 unit to extend the uranium mineralization towards the south. The two holes drilled returned grades of 0.05%  $eU_3O_8$  over 4.8 metres, including 0.10%  $eU_3O_8$  over 1.1 metres, and 0.09%  $eU_3O_8$  over 4.7 metres, respectively.

The drill results obtained in the past quarter in the southern extension of the MT-34 lens resulted in the delineation of three subhorizontal lenses over a distance of about 1.5 km, lying at the top of the ACF4 unit. These are in addition to the AM-15 Extension lens, outlined in the ACF3 unit during the second quarter over a distance of more than 300 metres, as well as another lens identified between the MT-22 and MT-34 lenses. These positive results point to a substantial increase in the resource. A new *Regulation 43-101* resource estimate will be prepared by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") towards the end of the fourth quarter.

The drilling done on the Matoush project in the past quarter included the extension of three holes drilled in 2007 to test the presence of low-grade mineralization in the footwall portion of the Matoush fault, at the top of the AM-15 lens. The hole extensions confirmed the mineralization, with the two best results coming from Hole MT-07-038, which returned two mineralized sections of 0.04%  $U_3O_8$  over 2.0 metres and 0.05%  $U_3O_8$  over 5.0 metres, and Hole MT-07-90, which intersected 0.03%  $U_3O_8$  over 2.7 metres.

Four holes were also drilled to test the extension of the Coonishish fault, located at the north end of the MT-22 lens. No significant values were obtained despite the presence of the tourmaline and fuschite alterations characteristic of the Matoush fault.

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

A soil geochemistry survey was also carried out above the lenses of the Matoush deposit in early September. A total of 101 soil samples were collected in the Ah and B units. The goal of this survey was to test the effectiveness of the method for uranium deposits in the Otish Mountains sedimentary basin. The samples were all sent to the Saskatchewan Research Council ("SRC") analysis laboratory, and the Company expects to receive the results in the coming quarter.

The latest results can be found under "*Longitudinal*" in the *Matoush Project section* of the Company's website, at [www.stratecoinc.com](http://www.stratecoinc.com).

#### *Mistassini Property*

In the third quarter, the Company completed the radon survey started in the second quarter. It should be remembered that the Company had started a radon survey on the Mistassini property on June 27 in partnership with Majescor Resources Inc. ("Majescor"), to determine the attitude and orientation of the structures and better understand the controls to mineralization in the Lac Mantouchiche discovery area.

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RadonEx, the company retained for the work, completed the survey on July 10. Interpretation of the analysis results identified the mineralized footprint of the area drilled on the property on surface. These positive results should lead to the identification of drill targets for an upcoming drilling program to be carried out in joint venture with Majescor, the Company having acquired its 60% interest in uranium rights in the Mistassini property on February 14, 2011.

*Matoush Extension and Eclat Properties*

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

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

The results for Block 3, located 4.5 kilometres northeast of the AM-15 lens, were also very positive. A 400-metre long radon anomaly elongated along a north-south direction was detected on the eastern edge of a north-south Matoush-type geophysical lineament not yet tested by drilling. This lineament, identified by MPH Consulting Ltd. in 2010, could be the source of the mineralized boulders (including one with 61,000 cps) of the Laurent-Martin showing, which lie less than 500 metres to the southwest. It should be remembered that two holes were drilled 250 metres northeast of the showing in 2007 to locate the source, without success. The juxtaposition of this lineament with the radon anomaly indicates a high-priority drill target for 2012. The best results of the survey on the Matoush Extension and Eclat properties point to the target areas for the next drilling program.

**ENGINEERING, PERMITS AND LICENCE**

STUDIES / PERMITS / AUTHORIZATIONS

There were many developments in the third quarter in terms of the licensing process for the Matoush project underground exploration program. First, in mid-May 2011, the FRP-S submitted its recommendations on the Matoush project environmental impact statement to the federal administrator of the James Bay and Northern Quebec Agreement (the “federal administrator”) and the CNSC. This report was made public on July 26.

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

In general, the recommendations and conditions in the FRP-S report referred to the three issues: (1) submission of an amended monitoring program to improve the initial environmental inventories; (2) a new ecotoxicological risk analysis that takes into account a new option for the effluent discharge site; and (3) an assessment of the information, discussion and communication process with the Cree Nation of Mistissini.

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

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The Company submitted the additional information requested on the first two issues to the federal administrator on July 22, and is confident that the information provided will meet the conditions set by FRP-S. In terms of relations with the Cree Nation of Mistissini in particular, the Company informed the federal administrator of the resumption of talks with Cree authorities and the various initiatives being taken to ensure that the underground exploration phase is carried out in close collaboration with the Crees, in a spirit of partnership.

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

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

Once the federal Minister of the Environment received the CSR on August 15, the public had a period of 30 days ending September 15, 2011, to review the report and make comments. The minister has until December 5 to render his decision. If, taking into account comments received from the public, the minister accepts the report’s conclusions, the CNSC will hold a public hearing on technical aspects of the underground exploration program during which the public will once again have an opportunity to speak, and will then render its decision regarding issuance of a licence for the advanced exploration phase of the Matoush project.

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

CNSC public notices can be found on its website at <http://nuclearsafety.gc.ca/>. The FRP-S recommendation report, along with Company’s studies in connection with the Matoush project underground exploration phase, can be found on the Canadian Environmental Assessment Agency’s website, at [www.ceaa-acee.gc.ca](http://www.ceaa-acee.gc.ca).

In addition to the licensing process, the results of a study by the Company and its consultant SENES Consultants Limited (“SENES”) on the new effluent discharge site were presented to the CNSC in July. It should be remembered that a hydrogeological analysis was done in early March by the *Centre d’expertise hydrique de Québec* to assess the low flows in a stream near the Matoush camp, so as to assess a possible alternative to Lake 5 for the effluent discharge site. After study, the CNSC gave its permission to use the new stream as the final discharge site for the effluent from the mine runoff treatment plant.

The Company also started writing a preliminary document on the Integrated Management System. This manual is required by the CNSC, and covers the aspects of quality control, health and safety and the environment. The Company’s proposed manual will be presented and explained to the CNSC in detail in the last quarter of the year.

Finally, the Company applied for a permit for the winter road in August. The Company has already obtained permission from the Ministry of Natural Resources and Wildlife for its forestry management permit application and its land use request for the winter road. The Company also obtained in October 2011 from the Ministry of Sustainable Development and Parks a certificate exempting the reopening of the winter road from the environmental and social impact assessment process.

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### SITE WORK

A variety of work was done at the Matoush project site in the third quarter. The Company performed pumping tests in July and August under the supervision of its consultant, Genivar Inc. (“Genivar”) to obtain more data on the hydrogeological characteristics of the site. A final report will be produced for this.

Then, in September, the Company ran samplers to obtain air quality data before beginning construction work on the underground decline. The air samplers provide data on the global levels of particles in suspension in the air, from which metals and radionuclides will be analysed, along with levels of particles smaller than 10 and 2.5 microns.

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

No construction work was done on the landing strip in the third quarter. However, the rolling surface was maintained so that men and materials could be transported to the site.

### **COMMUNITY AND INVESTOR COMMUNICATIONS**

#### LOCAL COMMUNITY RELATIONS

In the third quarter, the Company continued talks with the Cree Nation of Mistissini with the goal of developing the Matoush project in collaboration with the Crees and supporting their active participation as partners in the project. The Company seeks to work together with the Crees to create a framework that allows for dialogue based on trust, transparency and open-mindedness, to ensure that the Matoush project is developed in accordance with sustainable development practices. The Company has every intention of following the discussion process described in the Cree Nation Mining Policy and working to build a lasting partnership with the Crees.

First, it must be remembered that the Company met with the Chief of the First Nation of Mistissini, Richard Shecapio (the “Mistissini Chief”) on two occasions, June 1 and 15, to re-establish dialogue. While the Mistissini Chief did not appear to be against the project, he did convey the need to better inform the community. These meetings led to the initiation of talks on the communication process, and will eventually lead to a new agreement on the impacts and benefits of the Matoush project advanced exploration program.

In order to respond to the expectations expressed by the Mistissini Chief, the Company met with the latter in early August and again on September 26, 2011, along with several Band Council members and the Environmental Management. Company representatives presented an update on the Matoush project, and a frank and open discussion ensued on various project-related issues. The parties also discussed drafting a Memorandum of Understanding (“MOU”) to establish a common process for communication and consultation in accordance with the expectations and needs of the Cree Nation of Mistissini and the Company. An initial version of the MOU prepared by the Crees was presented to the Company at the end of October.

The Company also made a presentation on the Matoush project to a representative of the Grand Council of the Crees at a meeting held in Montreal on September 28. Various project-related issues were discussed, as well as the MOU with the Cree Nation of Mistissini, which was to be drafted in the ensuing weeks.

It should also be remembered that, in June, the Company and the Mistissini Chief had also discussed the need to create a “Mistissini-Strateco” committee for better consultation and collaboration with local organizations in terms of the various issues related to the Matoush project, such as the environment, hiring, training and goods and services, etc. The Mistissini Chief had also indicated his intention to appoint a mining project liaison officer to the Band Council to facilitate this type of initiative. These subjects will also be addressed in the MOU between the Cree Nation of Mistissini and the Company. Also, as requested by the Mistissini Chief, the Company sent to the latter a liaison officer job description on August 9.

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In addition, pursuant to the agreement signed with the Company on January 13, 2011, the representative of the Cree Nation of Mistissini, mandated by the Cree Mineral Exploration Board (“CMEB”), pursued his efforts to disseminate transparent, reliable and comprehensible information on uranium-related issues and the Matoush project to the community of Mistissini. The Company is financing the implementation of the communication program by the CMEB and providing support for the technical aspects of the project, but is not directly involved in the mandate itself.

The Company’s director of community relations made regular visits to Mistissini to speak with members of the community. The Company has an office in Mistissini and another in Chibougamau. The many formal and informal meetings held since the Company created this community representative position in January 2010 has led to the exchanges of knowledge and information that are essential if the Matoush project is to evolve in accordance with everyone’s expectations and values. The Company considers it important to be more accessible to the Mistissini Crees and residents of Chibougamau / Chapais through an on-site representative.

Finally, the updating of the Company’s website ([www.stratecoinc.com](http://www.stratecoinc.com)) remains a priority to ensure that the public has access to current information. The website contains information on the various issues related to the Matoush project and uranium. The Company is also careful to respond promptly to any questions and comments sent to it through the website. The site is another means for discussion with the communities, as well as with investors and the general public.

**INVESTOR RELATIONS**

In the third quarter, from September 13 to 17, Guy Hébert, the President and Chief Executive Officer of the Company, travelled to London to meet with potential partners and investors, and to Toronto for institutional meetings and presentations, which are very popular and help promote the Company and its Matoush project.

Mr. Hébert also continues to respond to journalists’ questions so as to raise the profile of the Matoush project in the business world. Among other things, he gave an interview with CIM Magazine last quarter for an article on the Plan Nord.

In addition, the Company retained the services of Jason Roy last quarter as an investor relations advisor. Mr. Roy’s experience and professional approach will help strengthen the Company’s standing and increase its visibility in the financial sector.

**STRATEGY AND ACTION PLAN**

The Matoush project remains the most advanced uranium project in Quebec, and could become the first in Quebec to progress to the underground exploration stage. There are very few steps remaining for a decision to be rendered on the licence required to begin underground exploration. The Company has taken all the necessary measures to satisfy the conditions set by the federal authorities for obtaining the licence.

On one hand, the Company intends to work together with the Crees to establish a framework for dialogue based on trust, transparency and open-mindedness. In fact, an MOU will be drafted in the near future to create a common process for communication and consultation in accordance with the expectations and needs of each party. The Company hopes to build a relationship with the Crees that promotes collaboration and encourages the establishment of a true partnership.

At the same time, the Company is continuing to take every means to ensure that the activities and actions related to the Matoush project comply with the most stringent environmental and health standards.

The federal Ministry of the Environment’s decision regarding the granting of the licence is expected no later than December 5. This approval would open the way for public hearings on the technical aspects of the project to be held, led by the CNSC. The Company has already started preparing for these hearings.

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Publication of the COMEX recommendation report, sent to the provincial administrator in August, is also pending. Once this report is released, all the recommendations of the provincial and federal authorities involved in the Matoush project file will be public.

The 2011 drilling program, which totalled 30,081 metres, was completed on September 17, within budget. In the coming quarter, the results of the radon surveys will be compiled and interpreted to identify the priority drill targets for the next program. The Company will also update the interpretation of the Matoush project geological in preparation for the next resource estimate, to be done by Scott Wilson RPA in accordance with the categories in *Regulation 43-101*. Work on the resource estimate will begin in the third week of November.

Finally, the Company will pursue its initiatives to keep investors abreast of the progress of work. Once it has obtained the licence, the Company plans to approach investors for a new information campaign. In the interim, it is continuing to meet with individuals and institutions.

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**EXPLORATION EXPENSES AND EXPLORATION SUPPLIES**

<b>Exploration expenses and exploration supplies for the nine-month period ended September 30, 2011</b>	<b>Matoush</b>	<b>Matoush Extension</b>	<b>Eclat</b>	<b>Apple</b>	<b>Pacific Bay-Matoush</b>	<b>Mistassini</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	43,803,382	494,879	4,361,338	794,240	1,237,034	572,272	51,263,145
<b>Additions</b>							
Consultants and subcontractors	1,236,794	20,730	20,534	1,628	58,551	48,726	1,386,963
Infrastructure, access roads, fuel depot and others	3,106,406	-	-	-	-	-	3,106,406
Drilling	3,207,751	3,659	3,323	-	846,091	461,987	4,522,811
Geophysics	14,409	-	101	-	-	36,210	50,720
Transport and fuel	982,156	-	-	-	-	-	982,156
First aid	333,747	-	-	-	-	-	333,747
Laboratory and analysis	152,262	-	-	-	-	-	152,262
Travel and lodging	228,566	-	-	-	36,675	25,100	290,341
Canadian Nuclear Safety Commission costs	332,779	-	-	-	-	-	332,779
Management fees	448,844	216	163	103	58,928	42,246	550,500
Supplies and equipment rental	433,334	-	-	-	-	-	433,334
Rolling equipment maintenance	12,786	-	-	-	-	-	12,786
General expenses	655,977	2,274	630	1,029	1,939	2,054	663,903
Environment	477,176	-	-	-	-	-	477,176
Stock-based compensation	138,674	-	-	-	-	-	138,674
Amortization of property and equipment	1,986,513	-	-	48,498	-	-	2,035,011
	13,748,174	26,879	24,751	51,258	1,002,184	616,323	15,469,569
Credit for mining duties and other exploration credits	(3,660,906)	(10,416)	(9,591)	(1,070)	(388,346)	(238,825)	(4,309,154)
<b>Net increase</b>	<b>10,087,268</b>	<b>16,463</b>	<b>15,160</b>	<b>50,188</b>	<b>613,838</b>	<b>377,498</b>	<b>11,160,415</b>
<b>Balance, end of period</b>	<b>53,890,650</b>	<b>511,342</b>	<b>4,376,498</b>	<b>844,428</b>	<b>1,850,872</b>	<b>949,770</b>	<b>62,423,560</b>

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**EXPLORATION EXPENSES AND EXPLORATION SUPPLIES**

<b>Exploration expenses and exploration supplies for the nine-month period ended September 30, 2010</b>	<b>Matoush</b>	<b>Matoush Extension</b>	<b>Eclat</b>	<b>Apple</b>	<b>Pacific Bay-Matoush</b>	<b>Mistassini</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	35,728,760	471,425	1,113,569	1,558,564	923,867	555,156	40,351,341
<b>Additions</b>							
Consultants and subcontractors	1,946,377	29,884	119,046	17,371	60,868	(9,631)	2,163,913
Infrastructure, access roads, fuel depot and others	1,382,935	-	-	-	-	-	1,382,935
Drilling	1,068,005	-	3,524,084	-	-	-	4,592,089
Transport and fuel	1,980,726	-	689,871	-	-	-	2,670,597
Geophysics	58,329	-	-	-	55,476	-	113,805
First aids	130,411	-	-	-	-	-	130,411
Laboratory and analysis	49,582	-	237,889	-	-	19,352	306,823
Travel and lodging	642,850	-	368,000	-	-	-	1,010,850
Canadian Nuclear Safety Commission costs	75,637	-	-	-	-	-	75,637
Management fees	413,450	-	306,750	478	5,548	359	726,585
Supplies and equipment rental	187,389	-	-	-	-	-	187,389
Rolling equipment maintenance	44,575	-	-	-	-	-	44,575
General expenses	298,036	-	-	1,350	-	-	299,386
Environment	209,972	-	-	-	-	-	209,972
Stock-based compensation	210,725	-	-	-	-	-	210,725
Amortization of property and equipment	613,486	-	-	39,330	-	-	652,816
	9,312,485	29,884	5,245,640	58,528	121,891	10,080	14,778,508
Credit for mining duties and other exploration credits	(3,529,039)	(11,580)	(2,032,686)	(7,439)	(47,233)	(10,013)	(5,637,990)
Net increase	5,783,446	18,304	3,212,954	51,089	74,658	67	9,140,518
Balance, end of period	41,512,206	489,729	4,326,523	1,609,653	998,525	555,223	49,491,859

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**SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS**

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Finance income</b>	9,525	5,206	57,148	23,046
<b>Expenses</b>				
General, administrative and other expenses	(457,182)	(478,952)	(1,953,298)	(1,525,854)
Stock-based compensation	(9,583)	(20,499)	(237,371)	(381,346)
Accretion expense on convertible notes, asset retirement obligations and loans payable	(463,158)	(308,464)	(1,309,901)	(785,331)
Depreciation of property and equipment	(10,712)	(10,994)	(34,010)	(27,621)
Interest and bank charges	(84,651)	(20,540)	(257,069)	(40,204)
<b>Income tax (expense) recovery</b>	274,395	153,762	(1,495,344)	2,287,755
<b>Net (loss) income</b>	(741,366)	(680,481)	(5,229,845)	(449,555)
<b>Net (loss) income per share, basic and diluted</b>	(0.01)	(0.01)	(0.04)	(0.00)

	As at September 30, 2011	As at December 31, 2010
	\$	\$
<b>Total assets</b>	93,440,783	93,013,791
<b>Long term liabilities</b>		
Obligations under capital leases	34,526	45,003
Deferred income tax liability	8,844,312	5,911,466
Other liability	-	421,057
Asset retirement obligations	1,972,453	1,925,397
Convertible notes	6,665,833	5,588,713
	17,517,124	13,891,636

**Results of operation**

The net losses for the three and nine-month periods ended September 30, 2011, increased for the following reasons:

The interest income is higher in 2011 than in 2010 due to a financing closed prior to the periods rather than during the periods.

The increase in general, administrative and other expenses for the nine-month period resulted from an increased level of activity, requiring more management services, as well as additional legal and audit services. These expenses were relatively stable during this quarter of 2011 compared to 2010.

The 2011 stock-based compensation expenses is based mainly on the fact that the Company granted 1,129,500 stock options on June 28, 2011, while in 2010, it granted 1,302,000 stock options at a higher weighted-average fair value than in 2011.

The accretion expense increased because the accretion expense on convertible notes was calculated over the nine-month period and the accretion expense on asset retirement obligations had not yet been established in the nine first months of 2010 as well as due to the loan payable to SIDEX borrowed in November 2010. These expenses had no impact on the Company's cash flow for the period.

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

The income tax expense for the first nine months of 2011 versus the income tax recovery in 2010 was largely due to an increase from 12% to 16% in the tax rate used to calculate future mining duties, which had a considerable impact on the deferred income tax expense. The change in the income tax recovery for this quarter from the same quarter in 2010 was largely attributable to a reversal under earnings of the premium paid (the difference between the share capital recognized and the amount paid by investors for the flow-through shares issued last June), while the eligible expenses were incurred during this quarter.

**CASH ASSETS AND SOURCES OF FINANCING**

The Company's working capital stood at \$7,776,069 at September 30, 2011 (\$17,545,829 at December 31, 2010), including cash and cash equivalents of \$2,509,643, of which \$1,482,367 was reserved for exploration (\$15,057,929 at December 31, 2010). This working capital includes \$10,856,797 in tax credits receivable at September 30, 2011 (\$8,149,396 at December 31, 2010). Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through September 30, 2012. Any funding shortfall may be met in the future in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, or that these sources of funding or initiatives will be available to the Company or will be available on terms acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements.

The Company's operating activities utilized \$777,176 in the nine-month period ended September 30, 2011 (\$1,564,110 for the same period in 2010). The decrease in cash flow used resulted from a marked improvement in non-cash working capital items, despite an increase in the operating expenses discussed in the "Results of Operation" section of this MD&A.

The Company's investing activities consist primarily of exploration and evaluation work, the addition of mining properties and the acquisition of property and equipment.

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

In terms of the credit on mining duties refundable for losses, the Company has disclosed the uncertainty and its stand on the recovery and measurement of amounts for the credit on mining duties refundable for losses in Note 3 to the unaudited condensed interim financial statements as at June 30, 2011, CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS: Uncertain Tax Positions.

The Company's financing activities arose primarily from the issuance of common flow-through shares under a \$3,500,100 non-brokered private placement in the second quarter.

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

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**QUARTERLY FINANCIAL INFORMATION**

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

	<b>Sept. 30</b>	<b>June 30</b>	<b>March 31</b>	<b>Dec. 31</b>	<b>Sept. 30</b>	<b>June 30</b>	<b>March 31</b>	<b>Dec. 31</b>
	<b>2011 (i)</b>	<b>2011 (i)</b>	<b>2011 (i)</b>	<b>2010 (i) (iii)</b>	<b>2010 (i)</b>	<b>2010 (i)</b>	<b>2010 (i)</b>	<b>2009 (ii)</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total income	9,525	12,692	34,931	20,157	5,206	7,462	10,378	2,441
Net profit (loss)	(741,366)	(2,724,386)	(1,764,093)	(5,214,806)	(608,479)	(685,237)	916,162	(526,573)
Net profit (loss), per share, basic and diluted	(0.005)	(0.017)	(0.013)	(0.042)	(0.006)	(0.006)	0.007	(0.004)

(i) Prepared according to IFRS

(ii) Prepared according to Canadian GAAP

(iii) The net loss results from an impairment charge of \$4,100,000 for the Apple property and related deferred exploration expenditures and property and equipment.

**OFF-BALANCE-SHEET ARRANGEMENTS**

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

**RELATED-PARTY TRANSACTIONS**

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

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

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

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

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The Company concluded the following transactions with BBH:

	Nine-month periods ended September 30,	
	2011	2010
	\$	\$
Capitalized exploration and evaluation expenditures in deferred exploration expenditures		
Consultants and subcontractors	2,630,000	2,811,000
Management fees	561,000	864,000
In the statement of loss		
Consulting and professional fees	879,000	655,000
Office expenses	49,000	49,000
Management fees charged against property and equipment	37,000	152,000
Issue costs for the issuance of the convertible notes	-	25,000

At September 30, 2011, accounts payable and accrued liabilities included an amount of \$260,000 (\$1,041,000 at September 30, 2010) owed to related parties.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Company's critical accounting policies estimates, judgments and assumptions in the unaudited condensed interim financial statements at March 31, 2011 and June 30, 2011.

**OUTSTANDING SHARE DATA**

	On November 8, 2011
	Number
Common shares	144,998,110
Stock options	5,571,000
Warrants	14,809,024
	165,378,134

**RISK FACTORS**

Risk factors are discussed in detail in the Company's MD&A contained in the annual report for the year ended December 31, 2010.

**GOING CONCERN RISK**

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

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**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statements preparation and presentation being accurate. There have been no changes in the Company's internal control over financial reporting during the three-month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

**ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

This management discussion and analysis is dated November 8, 2011, and complies with Canadian Securities Administrators' *Regulation 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 Company ([www.stratecoinc.com](http://www.stratecoinc.com)) and SEDAR ([www.sedar.com](http://www.sedar.com)) websites.

*(signed) Guy Hébert*

*(signed) Yvon Robert*

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Guy Hébert  
President and Chief Executive Officer

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Yvon Robert  
Chief Financial Officer