



**UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2011**

Strateco Resources Inc.  
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# STRATECO RESOURCES INC.

## Interim Balance Sheets

(Unaudited)

	September 30, 2011	December 31, 2010
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 1)	2,509,643	15,057,929
Tax credits receivable	10,856,797	8,149,396
Sales tax receivable	519,314	791,607
Available-for-sale investment	40,000	135,000
Prepaid expenses and other	348,339	370,761
	14,274,093	24,504,693
<b>NON CURRENT PORTION OF TAX CREDITS</b>		
RECEIVABLE	2,714,325	1,935,799
MINING PROPERTIES (Note 4)	5,150,993	5,132,913
DEFERRED EXPLORATION EXPENDITURES (Note 4)	62,423,560	51,263,145
PROPERTY AND EQUIPMENT (Note 5)	8,877,812	10,177,241
	93,440,783	93,013,791
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued charges	2,478,387	2,907,777
Loans payable (Note 6)	3,942,278	3,775,843
Current portion of obligations under capital leases	77,359	275,244
	6,498,024	6,958,864
OBLIGATIONS UNDER CAPITAL LEASES	34,526	45,003
CONVERTIBLE NOTES (Note 6)	6,665,833	5,588,713
DEFERRED INCOME TAX LIABILITY	8,844,312	5,911,466
OTHER LIABILITY	-	421,057
ASSET RETIREMENT OBLIGATIONS	1,972,453	1,925,397
	24,015,148	20,850,500
<b>EQUITY</b>		
Share capital (Note 7)	72,275,277	69,827,133
Equity component of convertible notes	4,933,323	4,933,323
Warrants	3,383,533	3,383,533
Contributed surplus	9,760,991	9,419,946
Accumulated other comprehensive loss	(260,000)	(165,000)
Deficit	(20,667,489)	(15,235,644)
	69,425,635	72,163,291
	93,440,783	93,013,791

Going concern (Note 1)

Subsequent event at the closing date (Note 10)

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

STRATECO RESOURCES INC.  
Interim Statements of Comprehensive (Loss) Income  
(Unaudited)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2011	2010 (Note 3)	2011	2010 (Note 3)
	\$	\$	\$	\$
<b>EXPENSES</b>				
Consulting and professional fees	293,649	344,597	1,245,196	851,432
Stock-based compensation	9,583	20,499	237,371	381,346
Communication and promotion expenses	114,129	80,153	530,196	492,703
Office expenses	49,404	54,202	177,906	181,719
Depreciation of property and equipment	10,712	10,994	34,010	27,621
Operating loss	(477,477)	(510,445)	(2,224,679)	(1,934,821)
Finance income	(9,525)	(5,206)	(57,148)	(23,046)
Finance costs				
Accretion expense on convertible notes	384,267	303,601	1,077,120	774,925
Accretion expense on asset retirement obligations	22,008	4,863	66,346	10,406
Accretion expense on loans payable	56,883	-	166,435	-
Interest and bank charges	81,155	12,094	241,335	13,352
Interest on obligations under capital leases	3,496	8,446	15,734	26,852
Loss before income tax	(1,015,761)	(834,243)	(3,734,501)	(2,737,310)
Current income tax expense (recovery)	30,938	(84,858)	96,595	(870,470)
Deferred income tax expense (recovery)	(305,333)	(68,904)	1,398,749	(1,417,285)
Income tax expense (recovery)	(274,395)	(153,762)	1,495,344	(2,287,755)
<b>NET (LOSS) INCOME</b>	<b>(741,366)</b>	<b>(680,481)</b>	<b>(5,229,845)</b>	<b>(449,555)</b>
<b>NET (LOSS) INCOME PER SHARE, BASIC AND DILUTED</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.04)</b>	<b>(0.00)</b>
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)</b>	<b>144,928</b>	<b>122,696</b>	<b>141,794</b>	<b>122,618</b>

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

Interim Statements of Comprehensive Income (Loss)  
(Unaudited)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2011	2010 (Note 3)	2011	2010 (Note 3)
	\$	\$	\$	\$
Net (loss) income	(741,366)	(680,481)	(5,229,845)	(449,555)
Other comprehensive (loss) income				
Changes in fair value of available-for-sale investment	(10,000)	20,000	(95,000)	15,000
Comprehensive (loss) income	(751,366)	(660,481)	(5,324,845)	(434,555)

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

STRATECO RESOURCES INC.  
Interim Statements of Cash Flows  
(Unaudited)

	Nine-month periods ended September 30	
	2011	2010 (Note 3)
	\$	\$
<b>Cash flow provided by (used in)</b>		
<b>OPERATING ACTIVITIES</b>		
Net (loss) income	(5,229,845)	(449,555)
Non-cash items:		
Stock-based compensation	237,371	381,346
Accretion expenses	1,309,901	785,331
Depreciation of property and equipment	34,010	27,621
Warrants included in financing costs	-	13,864
Deferred income tax expense (recovery)	1,398,749	(1,417,285)
	(2,249,814)	(658,678)
Changes in non-cash working capital items		
Tax credit receivable	823,227	281,480
Sales tax recoverable	272,293	(423,715)
Prepaid expenses and other	22,422	(121,877)
Accounts payable and accrued charges	354,696	(641,320)
	1,472,638	(905,432)
Cash flow used in operating activities	(777,176)	(1,564,110)
<b>INVESTING ACTIVITIES</b>		
Acquisition of mining properties	(18,080)	(50,033)
Increase in deferred exploration expenditures	(13,793,325)	(12,904,992)
Additions to property and equipment	(811,114)	(3,456,143)
Cash flow used in investing activities	(14,622,519)	(16,411,168)
<b>FINANCING ACTIVITIES</b>		
Common share, warrants and convertible notes issuance	3,500,100	15,000,000
Issue costs	(510,329)	(190,406)
Exercise of stock options	70,000	-
Loans payable, net financing costs	-	2,500,000
Payments on obligations under capital leases	(208,362)	(178,337)
Cash flow provided by financing activities	2,851,409	17,131,257
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,548,286)</b>	<b>(844,021)</b>
Cash and cash equivalents, beginning of period	15,057,929	2,794,325
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>2,509,643</b>	<b>1,950,304</b>

**Cash transactions:**

Interest received	57,148	23,046
Interest paid	241,335	-

Supplemental cash flow information (Note 9)

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

STRATECO RESOURCES INC.

Interim Statements of Changes in Equity

For the Nine-month Periods Ended September 30, 2011 and 2010

	Number of common shares outstanding	Share capital	Equity component of convertible notes	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at January 1, 2010</b>	<b>121,806,432</b>	<b>56,882,068</b>	-	-	<b>8,814,337</b>	<b>(255,000)</b>	<b>(9,571,282)</b>	<b>55,870,123</b>
Net income	-	-	-	-	-	-	(449,555)	(449,555)
Other comprehensive loss	-	-	-	-	-	15,000	-	15,000
Comprehensive (loss) income	-	-	-	-	-	15,000	(449,555)	(434,555)
Private placements	100,000	81,883	-	13,117	-	-	-	95,000
Convertible notes, net of income taxes	-	-	5,304,849	2,055,475	-	-	-	7,360,324
In consideration of issue costs	789,474	646,442	-	103,558	-	-	-	750,000
Issue costs, net of income taxes	-	-	(371,526)	(94,800)	-	-	-	(466,326)
Stock-based compensation	-	-	-	-	592,071	-	-	592,071
In consideration of issue costs of loans payable	-	-	-	13,864	-	-	-	13,864
Deferred income tax	-	62,796	-	-	-	-	-	62,796
<b>Balance at September 30, 2010</b>	<b>122,695,906</b>	<b>57,673,189</b>	<b>4,933,323</b>	<b>2,091,214</b>	<b>9,406,408</b>	<b>(240,000)</b>	<b>(10,020,837)</b>	<b>63,843,297</b>
<b>Balance at January 1, 2011</b>	<b>139,848,206</b>	<b>69,827,133</b>	<b>4,933,323</b>	<b>3,383,533</b>	<b>9,419,946</b>	<b>(165,000)</b>	<b>(15,235,644)</b>	<b>72,163,291</b>
Net loss	-	-	-	-	-	-	(5,229,845)	(5,229,845)
Other comprehensive loss	-	-	-	-	-	(95,000)	-	(95,000)
Comprehensive loss	-	-	-	-	-	(95,000)	(5,229,845)	(5,324,845)
Private placements (Note 7)	4,904,904	2,354,354	-	-	-	-	-	2,354,354
Issue costs, net of income taxes of \$66,151	-	(179,764)	-	-	-	-	-	(179,764)
Exercise of stock options	175,000	105,000	-	-	(35,000)	-	-	70,000
Deferred income tax	-	168,554	-	-	-	-	(202,000)	(33,446)
Stock-based compensation (Note 7)	-	-	-	-	376,045	-	-	376,045
<b>Balance at September 30, 2011</b>	<b>144,928,110</b>	<b>72,275,277</b>	<b>4,933,323</b>	<b>3,383,533</b>	<b>9,760,991</b>	<b>(260,000)</b>	<b>(20,667,489)</b>	<b>69,425,635</b>

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

**STRATECO RESOURCES INC.**  
Condensed Notes to the Interim Financial Statements  
For the Nine-month Periods Ended September 30, 2011 and 2010  
(Unaudited)

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

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

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

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

The Company reported a net loss of \$5,229,845 for the nine-month period ended September 30, 2011, and has an accumulated deficit of \$20,667,489 as at September 30, 2011. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and development programs and pay general and administration costs. As at September 30, 2011, the Company had working capital of \$7,776,069 including cash and cash equivalents of \$2,509,643, of which \$1,482,367 was restricted pursuant to flow-through financings. Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through 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, 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 unaudited condensed interim financial statements.

The Company’s financial year ends on December 31. The unaudited condensed interim financial statements for the reporting period ended September 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on November 8, 2011.

**STRATECO RESOURCES INC.**  
Condensed Notes to the Interim Financial Statements  
For the Nine-month Periods Ended September 30, 2011 and 2010  
(Unaudited)

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**2. BASIS OF PREPARATION AND ADOPTION OF IFRS**

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 requires publicly accountable enterprises to apply such standards effective for years beginning after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 unaudited condensed interim financial statements. In these unaudited condensed financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These unaudited condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these unaudited condensed interim financial statements are the same as those applied in the Company’s unaudited condensed interim financial statements for the periods ended March 31 and June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company’s reported equity as at September 30, 2010, on net loss and comprehensive loss for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company’s financial statements for the year ended December 31, 2010.

The accounting policies applied in these unaudited condensed interim financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 8, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2011 could result in restatement of these unaudited condensed interim financial statements, including transition adjustments recognized on change-over to IFRS.

The unaudited condensed interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company’s unaudited condensed interim financial statements for the quarters ended March 31 and June 30, 2011, prepared in accordance with IFRS applicable to interim financial statements.

**3. TRANSITION TO IFRS**

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

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

STRATECO RESOURCES INC.  
Condensed Notes to the Interim Financial Statements  
For the Nine-month Periods Ended September 30, 2011 and 2010  
(Unaudited)

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**3. TRANSITION TO IFRS (CONT'D)**

(a) Transition elections

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

- (i) In accordance with IFRS 1, the Company elected to apply IFRS 2, *Share-based Payments*, prospectively. This exemption enables the Company to apply IFRS 2, *Share-based Payments* retrospectively at the transition date only to equity instruments that were attributed after November 7, 2002 and had not vested by the IFRS transition date. At the transition date no material adjustments were identified and required. Canadian GAAP balances of equity components relating to share-based payment transactions entered into before that date have therefore been carried forward without adjustment.
- (ii) In accordance with IFRS 1, the Company has elected to apply the transitional provisions in IFRIC 4, *Determining whether an Arrangement contains a Lease*, at the date of transition to all arrangements other than those entered into or modified since January 1, 2005, as such arrangements have already been assessed under requirements similar to those of IFRIC 4 under Canadian GAAP. No impact resulted from the review of arrangements.

# STRATECO RESOURCES INC.

## Condensed Notes to the Interim Financial Statements

For the Nine-month Periods Ended September 30, 2011 and 2010

(Unaudited)

### 3. TRANSITION TO IFRS (CONT'D)

- (b) Reconciliation of balance sheets, equity, net income (loss) and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes.

		<b>September 30, 2010</b>		
	<b>Ref.</b>	<b>Canadian GAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
		\$	\$	\$
<b>Assets</b>				
<b>Currents assets</b>				
Cash and cash equivalents		1,950,304	-	1,950,304
Tax credits receivable		13,670,029	-	13,670,029
Sales tax receivable		758,666	-	758,666
Available for sale - investment		60,000	-	60,000
Prepaid expenses and other		409,225	-	409,225
		<b>16,848,224</b>	<b>-</b>	<b>16,848,224</b>
<b>Non-current portion of tax credits receivable</b>				
		993,359	-	993,359
Mining properties	(ii)	10,877,720	(2,809,321)	8,068,399
Deferred exploration expenditures	(ii)	44,293,356	243,825	49,491,859
	(iii)		4,916,924	
	(iv)		37,754	
Property and equipment	(iv)	8,953,976	668,119	9,622,095
		<b>81,966,635</b>	<b>3,057,301</b>	<b>85,023,936</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued charges		5,109,255	-	5,109,255
Loans payable		2,500,000	-	2,500,000
Current portion of obligations under capital leases		275,461	-	275,461
		<b>7,884,716</b>	<b>-</b>	<b>7,884,716</b>
<b>Obligations under capital leases</b>				
		63,543	-	63,543
Convertible notes		5,266,539	-	5,266,539
Deferred income tax liability	(ii)	923,841	(1,901,975)	5,936,018
	(iii)		4,321,660	
	(vi)		(254)	
	(vii)		2,592,746	
Asset retirement obligations	(iv)	1,341,662	688,161	2,029,823
		<b>15,480,301</b>	<b>5,700,338</b>	<b>21,180,639</b>

# STRATECO RESOURCES INC.

## Condensed Notes to the Interim Financial Statements

For the Nine-month Periods Ended September 30, 2011 and 2010

(Unaudited)

### 3. TRANSITION TO IFRS (CONT'D)

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

	Ref.	September 30, 2010		IFRS
		Canadian GAAP	Adjustment	
		\$	\$	\$
<b>Shareholders' equity</b>				
Share capital	(ii)	59,079,501	(33,368)	57,673,189
	(vi)		(1,372,944)	
Equity component				
of convertible notes	(vii)	7,683,910	(2,750,587)	4,933,323
Warrants		2,091,214	-	2,091,214
Contributed surplus		9,406,408	-	9,406,408
Accumulated other				
comprehensive loss	(viii)	-	(240,000)	(240,000)
Deficit	(ii)	(11,774,699)	(630,153)	(10,020,837)
	(iii)		595,264	
	(iv)		17,712	
	(vi)		1,373,198	
	(vii)		157,841	
	(viii)		240,000	
		66,486,334	(2,643,037)	63,843,297
		<b>81,966,635</b>	<b>3,057,301</b>	<b>85,023,936</b>

**STRATECO RESOURCES INC.**  
**Condensed Notes to the Interim Financial Statements**  
**For the Nine-month Periods Ended September 30, 2011 and 2010**  
**(Unaudited)**

**3. TRANSITION TO IFRS (CONT'D)**

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

	Ref.	Three-month period ended September 30, 2010			Nine-month period ended September 30, 2010		
		Canadian GAAP	Adjustment	IFRS	Canadian GAAP	Adjustment	IFRS
		\$	\$	\$	\$	\$	\$
<b>EXPENSES</b>							
Consulting and professional fees		344,597	-	344,597	851,432	-	851,432
Stock-based compensation		20,499	-	20,499	381,346	-	381,346
Communication and promotion expenses		80,153	-	80,153	492,703	-	492,703
Office expenses		54,202	-	54,202	181,719	-	181,719
Depreciation of property and equipment		10,994	-	10,994	27,621	-	27,621
Operating loss		(510,445)	-	(510,445)	(1,934,821)	-	(1,934,821)
Finance income		(5,206)	-	(5,206)	(23,046)	-	(23,046)
Finance costs							
Accretion expense on convertible notes		303,601	-	303,601	774,925	-	774,925
Accretion expense on asset retirement obligations	(iv)	14,856	(9,993)	4,863	28,118	(17,712)	10,406
Accretion expense on loans payable		-	-	-	-	-	-
Interest and bank charges		12,094	-	12,094	13,352	-	13,352
Interest on obligations under capital leases		8,446	-	8,446	26,852	-	26,852
Unrealized gain on changes in fair value of investment	(viii)	(20,000)	20,000	-	(15,000)	15,000	-
Loss before income tax		(824,236)	(10,007)	(834,243)	(2,740,022)	2,712	(2,737,310)
Current income tax	(iii)	-	(84,858)	(84,858)	-	(870,470)	(870,470)
Deferred income tax recovery	(ii)	24,666	61,130	(68,904)	(368,730)	(734,768)	(1,417,285)
	(iii)		(73,031)			55,900	
	(vi)		-			(211,846)	
	(vii)		(81,669)			(157,841)	
Income tax expense (recovery)		24,666	(178,428)	(153,762)	(368,730)	(1,919,025)	(2,287,755)
NET (LOSS) INCOME		(848,902)	168,421	(680,481)	(2,371,292)	1,921,737	(449,555)
Other comprehensive loss							
Changes in fair value of available-for-sale investment	(viii)	-	20,000	20,000	-	15,000	15,000
COMPREHENSIVE INCOME (LOSS)		(848,902)	188,421	(660,481)	(2,371,292)	1,936,737	(434,555)
NET (LOSS) INCOME PER SHARE, BASIC AND DILUTED		(0.01)		(0.01)	(0.02)		(0.00)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)		122,696		122,696	122,618		122,618

Certain amounts on the unaudited interim statements of income (loss) have been reclassified to conform to the presentation adopted under IFRS, as the statement of income (loss) incorporated expenses by function and by nature which is not permitted under IFRS.

# STRATECO RESOURCES INC.

## Condensed Notes to the Interim Financial Statements

For the Nine-month Periods Ended September 30, 2011 and 2010

(Unaudited)

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### 3. TRANSITION TO IFRS (CONT'D)

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

#### EXPLANATORY NOTES

- (i) Under IFRS, funds restricted for exploration are not considered to be restricted and are categorized as cash and cash equivalents (Note unused at September 30, 2010).
- (ii) Under Canadian GAAP, future income taxes on the acquisition of an asset in a transaction that is not a business combination and that arise from the difference between the carrying amounts of the assets acquired and their tax basis should be recognized.

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

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

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

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

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

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

- (v) Under Canadian GAAP, the Apple assets were written down by \$5.4 million in the three-month period ended December 31, 2010 and upon transition to IFRS the impairment charge decreased to \$4.1 million as a result of IFRS adjustments affecting Exploration and evaluation ("E&E") assets (Note unused at September 30, 2010).

# STRATECO RESOURCES INC.

## Condensed Notes to the Interim Financial Statements

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(Unaudited)

### 3. TRANSITION TO IFRS (CONT'D)

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

(vi) Under Canadian GAAP, when flow-through shares are issued, they are initially recognized under share capital at their issue cost. When the expenses are renounced to investors (by filing the prescribed forms), a deferred tax liability is recognized as a share issue cost (as a credit to share capital). Under IFRS, flow-through shares are recognized based on the market price of the existing shares at the issue date. The difference (the "premium") between the share capital recognized and the amount paid for the shares by investors is recognized under "other liabilities", and reversed under earnings as a deferred tax credit as the qualifying expenditures are incurred. The tax impact arising from the renunciation is recognized under deferred tax expenses as the qualifying expenditures are incurred.

(vii) Under Canadian GAAP, there is an exception where there is no deferred income tax to record when the settlement of the liability component of compound financial instruments, in accordance with its terms, might occur without tax impact. When the entity is able to settle the instrument without a tax impact, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

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

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

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

(c) Adjustments to the statement of cash flows

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

#### Cash flow provided by (used in)

Nine-month period ended September 30, 2010	Ref.	Canadian GAAP \$	Adjustment \$	IFRS \$
Cash flow from operating activities	3b (iii)	(2,716,060)	1 151 950	(1 564 110)
Cash flow from investing activities	3b (i) and (iii)	(12,785,956)	(3 625 212)	(16 411 168)
Net variation in cash and cash equivalents	3b (i)	1,629,239	(2,473,260)	(844,021)

# STRATECO RESOURCES INC.

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## 4. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Mining properties	Interest	December	Additions	Impairment	September
		31, 2010			30, 2011
		\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	100%	338,657	1,272	-	339,929
Matoush Extension	100%	20,842	784	-	21,626
Eclat	100%	1,285,901	-	-	1,285,901
Pacific Bay-Matoush	Option of 60%	438,713	52	-	438,765
<b>Other projects</b>					
Mistassini	60%	9,827	8,892	-	18,719
Apple	100%	3,038,973	7,080	-	3,046,053
		5,132,913	18,080	-	5,150,993

On May 16, 2011, the Company and Majescor Resources Inc. (“Majescor”) executed the formal joint venture agreement which has an effective date of February 14, 2011, the date when the Company fulfilled its obligations pursuant to an option agreement. The Company holds a 60% interest in the uranium rights on the Mistassini property which is the the joint venture’s primary asset.

Mining properties	Interest	January 1,	Additions	Impairment	September
		2010			30, 2010
		\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	100%	338,306	109	-	338,415
Matoush Extension	100%	1,236	19,151	-	20,387
Eclat	100%	1,280,807	4,887	-	1,285,694
Pacific Bay-Matoush	Option of 60%	261,279	14,665	-	275,944
<b>Other projects</b>					
Mistassini	Option of 60%	9,041	393	-	9,434
Apple	100%	6,127,697	10,828	-	6,138,525
		8,018,366	50,033	-	8,068,399

Deferred exploration expenditures	September 30, 2011	September 30, 2010	December 31, 2010
	\$	\$	\$
Deferred exploration expenditures	61,599,939	48,492,536	50,386,388
Exploration supplies	823,621	999,323	876,757
	62,423,560	49,491,859	51,263,145

# STRATECO RESOURCES INC.

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(Unaudited)

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

Deferred exploration expenditures	December 31, 2010	Additions	Tax credits	Impairment	September 30, 2011
	\$	\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	42,926,625	13,801,310	(3,660,906)	-	53,067,029
Matoush Extension	494,879	26,879	(10,416)	-	511,342
Eclat	4,361,338	24,751	(9,591)	-	4,376,498
Pacific Bay-Matoush	1,237,034	1,002,184	(388,346)	-	1,850,872
<b>Other projects</b>					
Mistassini	572,272	616,323	(238,825)	-	949,770
Apple	794,240	51,258	(1,070)	-	844,428
	50,386,388	15,522,705	(4,309,154)	-	61,599,939

Deferred exploration expenditures	January 1, 2010	Additions	Tax credits	Impairment	September 30, 2010
	\$	\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	35,515,996	8,525,927	(3,529,039)	-	40,512,884
Matoush Extension	471,425	29,884	(11,580)	-	489,729
Eclat	1,113,569	5,245,640	(2,032,686)	-	4,326,523
Pacific Bay-Matoush	923,867	121,891	(47,233)	-	998,525
<b>Other projects</b>					
Mistassini	555,156	10,079	(10,013)	-	555,222
Apple	1,558,564	58,528	(7,439)	-	1,609,653
	40,138,577	13,991,949	(5,637,990)	-	48,492,536

## 5. PROPERTY AND EQUIPMENT

	Buildings and infrastructure (i) (ii)	Vehicles and rolling stock	Equipment	Total (iii)
	\$	\$	\$	\$
<b>Nine-month period ended September 30, 2011</b>				
Opening net book value	9,566,849	147,719	462,673	10,177,241
Additions	667,127	733	101,732	769,592
Depreciation	(1,851,082)	(42,712)	(175,227)	(2,069,021)
Net book value	8,382,894	105,740	389,178	8,877,812
<b>As at September 30, 2011</b>				
Cost	12,283,848	499,109	1,048,369	13,831,326
Accumulated depreciation	(3,750,954)	(393,369)	(659,191)	(4,803,514)
Accumulated impairment charges	(150,000)	-	-	(150,000)
Net book value	8,382,894	105,740	389,178	8,877,812

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## 5. PROPERTY AND EQUIPMENT (CONT'D)

	Buildings and infrastructure (i) (ii)	Vehicles and rolling stock	Equipment	Total (iii)
	\$	\$	\$	\$
<b>Nine-month period ended September 30, 2010</b>				
Opening net book value	1,290,766	47,451	466,204	1,804,421
Additions	8,280,110	53,119	164,882	8,498,111
Depreciation	(549,520)	(38,814)	(92,103)	(680,437)
<b>Net book value</b>	<b>9,021,356</b>	<b>61,756</b>	<b>538,983</b>	<b>9,622,095</b>
<b>As at September 30, 2010</b>				
Cost	10,345,604	397,664	914,019	11,657,287
Accumulated depreciation	(1,324,248)	(335,908)	(375,036)	(2,035,192)
Accumulated impairment charges	-	-	-	-
<b>Net book value</b>	<b>9,021,356</b>	<b>61,756</b>	<b>538,983</b>	<b>9,622,095</b>

(i) The amount of property and equipment that were purchased and delivered or are under construction on the Matoush project site and undepreciated as of September 30, 2011 and 2010 amounted to \$616,508 and \$544,859 respectively and was presented in Buildings and infrastructure.

(ii) There was no depreciation expense relating to capital leases expensed in the statement of income (loss). The depreciation expense relating to property and equipment under capital lease of \$33,272 was capitalized in deferred exploration expenditures for the nine-month period ended September 30, 2011 (\$116,544 for the nine-month period ended September 30, 2010).

Included in Buildings and infrastructure there are buildings and infrastructure under a finance lease with net book values of \$242,260 and \$299,327 as at September 30, 2011 and 2010, respectively.

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

## 6. LOANS PAYABLE AND CONVERTIBLE NOTES

	Convertible notes	Loans payable	Total
	\$	\$	\$
<b>Balance as of January 1, 2010</b>	-	-	-
Additions	4,491,614	2,500,000	6,991,614
Accretion expense	774,925	-	774,925
<b>As at September 30, 2010</b>	<b>5,266,539</b>	<b>2,500,000</b>	<b>7,766,539</b>
<b>Balance as of January 1, 2011</b>	<b>5,588,713</b>	<b>3,775,843</b>	<b>9,364,556</b>
Accretion expense	1,077,120	166,435	1,243,555
<b>As at September 30, 2011</b>	<b>6,665,833</b>	<b>3,942,278</b>	<b>10,608,111</b>

# STRATECO RESOURCES INC.

## Condensed Notes to the Interim Financial Statements

For the Nine-month Periods Ended September 30, 2011 and 2010

(Unaudited)

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### 7. EQUITY

#### (i) Private placements

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

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

#### (ii) Stock-based compensation

On June 28, 2011, the Company granted 1,129,500 stock options to its directors, officers and consultants at an exercise price of \$0.50 per share and with an expected life of five years. 1,006,500 stock options vested immediately and 123,000 stock options will vest in three tranches over 18 months. The estimated fair value of each option granted was determined using the Black-Scholes option-pricing model. The weighted-average fair value of the stock options granted was \$0.31 per option. The market price of the Company' share was lower than the exercise price at the grant date.

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

Risk-free interest rate	2.40%
Expected life	5 years
Expected volatility	88.2%
Expected dividend yield	0%

### 8. RELATED-PARTY TRANSACTIONS

On August 10, 2011, the Company renewed a service agreement, on a monthly basis and effective as of August 1, 2011, with BBH Géo-Management Inc. ("BBH"), a related company with an officer and director who is also an officer and director of the Company. The agreement stipulates that BBH will render management services to the Company including exploration and evaluation work. The Company anticipates a fixed monthly charge of \$5,200 for office rent, office equipment and computers to be reviewed each year on July 31, management fees of 5% on all costs related to 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 management fees of 5% on all purchases related to exploration projects or option agreements on the Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other future properties.

# STRATECO RESOURCES INC.

Condensed Notes to the Interim Financial Statements

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## 9 SUPPLEMENTAL CASH FLOW INFORMATION

	Nine-month periods ended September 30	
	2011	2010
	\$	\$
<b>Non-cash transactions:</b>		
Deferred exploration expenditures included in accounts payable and accrued liabilities	1,492,030	1,838,793
Additions to property and equipment included in accounts payable and accrued liabilities	215,290	3,043,301
Tax credits receivable presented as a reduction in deferred expenditures	4,309,154	5,637,990
Property and equipment recorded pursuant to capital lease obligations	-	189,005
Property and equipment recorded pursuant to asset retirement obligations	19,290	1,809,662
Depreciation of property and equipment included in deferred exploration expenditures	2,035,011	652,816
Units issued for share issue costs, net of the tax impact of \$171,604	-	578,396
Stock-based compensation capitalized in deferred exploration expenditures	138,674	210,725

## 10. SUBSEQUENT EVENT AT THE CLOSING DATE

The Company met its annual commitments for the PacificBay-Matoush property on October 29, 2011, by completing the issuance of 70,000 common shares and completing \$1.0 million in exploration work that also met the minimum requirement for metres of drilling. The annual cash payment commitment for 2011 was partially met by the payment of \$50,000. The Company and Pacific Bay Minerals Ltd. agreed to a modification to the agreement that allows the final outstanding cash payment of \$125,000 for 2011 to be paid within five business days of the receipt of amount of refundable tax credits claimed 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.