



**UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS  
AS AT MARCH 31, 2011**

Strateco Resources Inc.  
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Toronto Stock Exchange: RSC Frankfurt Stock Exchange "FSE": RF9

# STRATECO RESOURCES INC.

## Interim Balance Sheets

(Unaudited)

	March 31, 2011	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
	\$	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 1)	7,720,499	15,057,929	2,794,325
Tax credits receivable	10,035,714	8,149,396	9,306,880
Sales tax receivable	1,003,478	791,607	334,951
Available-for-sale investment	100,000	135,000	45,000
Prepaid expenses and other	183,130	370,761	287,348
	19,042,821	24,504,693	12,768,504
<b>NON CURRENT PORTION OF TAX CREDITS</b>			
RECEIVABLE	2,043,190	1,935,799	-
MINING PROPERTIES (Note 6)	5,149,508	5,132,913	8,018,366
DEFERRED EXPLORATION EXPENDITURES (Note 6)	56,663,342	51,263,145	40,351,341
PROPERTY AND EQUIPMENT (Note 7)	9,690,907	10,177,241	1,804,421
	92,589,768	93,013,791	62,942,632
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued charges	3,289,652	2,907,777	1,697,302
Loan payable (Note 8)	3,829,927	3,775,843	-
Current portion of obligations under capital leases	199,650	275,244	156,814
Other liability	-	421,057	490,348
	7,319,229	7,379,921	2,344,464
OBLIGATIONS UNDER CAPITAL LEASES	41,588	45,003	171,522
CONVERTIBLE NOTES (Note 8)	5,923,162	5,588,713	-
DEFERRED INCOME TAX LIABILITY	6,926,060	5,911,466	4,346,770
ASSET RETIREMENT OBLIGATIONS	1,928,917	1,925,397	209,755
	22,138,956	20,850,500	7,072,511
<b>EQUITY</b>			
Share capital	69,923,466	69,827,133	56,882,068
Equity component of convertible notes	4,933,323	4,933,323	-
Warrants	3,383,533	3,383,533	-
Contributed surplus	9,410,227	9,419,946	8,814,337
Accumulated other comprehensive loss	(200,000)	(165,000)	(255,000)
Deficit	(16,999,737)	(15,235,644)	(9,571,284)
	70,450,812	72,163,291	55,870,121
	92,589,768	93,013,791	62,942,632

Going concern (Note 1)

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

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

	<b>Three-month periods ended March 31</b>	
	<b>2011</b>	<b>2010 (Note 5)</b>
	\$	\$
<b>EXPENSES</b>		
Consulting and professional fees	433,334	199,076
Stock-based compensation	21,667	26,985
Communication and promotion expenses	282,640	271,396
Office expenses	74,888	69,195
Depreciation of property and equipment	11,649	6,127
Operating loss	(824,178)	(572,779)
Finance income	(34,931)	(10,378)
Finance costs		
Accretion expense on convertible notes	334,449	188,157
Accretion expense on asset retirement obligations	22,810	1,887
Accretion expense on loans payable	54,085	-
Interest and bank charges	79,493	572
Interest on obligations under capital leases	6,529	7,744
Loss before income tax	(1,286,613)	(760,761)
Current income tax recovery	(107,390)	(335,831)
Deferred income tax expense (recovery)	584,870	(1,341,092)
<b>NET (LOSS) INCOME</b>	<b>(1,764,093)</b>	<b>916,162</b>
<b>NET (LOSS) INCOME PER SHARE, BASIC AND DILUTED</b>	<b>(0.013)</b>	<b>0.007</b>
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)</b>	<b>139,882</b>	<b>122,429</b>

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

Interim Statements of Comprehensive Income (Loss)  
(Unaudited)

	<b>Three-month periods ended March 31</b>	
	<b>2011</b>	<b>2010 (Note 5)</b>
	\$	\$
Net (loss) income	(1,764,093)	916,162
Other comprehensive (loss) income		
Changes in fair value of available-for-sale investment	(35,000)	(5,000)
Comprehensive (loss) income	(1,799,093)	911,162

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

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

	Three-month periods ended March 31	
	2011	2010 (Note 5)
	\$	\$
<b>Cash flow provided by (used in)</b>		
<b>OPERATING ACTIVITIES</b>		
Net (loss) income	(1,764,093)	916,162
Non-cash items:		
Stock-based compensation	21,667	26,985
Accretion expenses	411,343	190,044
Depreciation of property and equipment	11,649	6,127
Deferred income tax expense (recovery)	584,870	1,341,092
	(734,564)	(201,774)
Changes in non-cash working capital items		
Tax credit receivable	(107,389)	816,121
Sales tax recoverable	(211,871)	(772,431)
Prepaid expenses and other	187,631	(176,087)
Accounts payable and accrued charges	(27,125)	609,945
	(158,754)	477,548
Cash flow used in operating activities	(893,318)	275,774
<b>INVESTING ACTIVITIES</b>		
Acquisition of mining properties	(16,595)	(1,820)
Increase in deferred exploration expenditures	(5,900,261)	(4,130,295)
Additions to property and equipment	(518,247)	(1,338,949)
Cash flow used in investing activities	(6,435,103)	(5,471,064)
<b>FINANCING ACTIVITIES</b>		
Common share, warrants and convertible notes issuance	-	15,000,000
Issue costs	-	(190,406)
Exercise of stock options	70,000	-
Payments on obligations under capital leases	(79,009)	(44,711)
Cash flow provided by financing activities	(9,009)	14,764,883
<b>NET VARIATION IN CASH AND CASH EQUIVALENTS</b>	(7,337,430)	9,569,593
Cash and cash equivalents, beginning of the period	15,057,929	2,794,325
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	7,720,499	12,363,918

**Cash transactions:**

Interest received	34,931	10,461
Interest paid	81,246	-

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 Three-Month Periods Ended March 31, 2011 and 2010  
(Unaudited)

	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>(9,571,284)</b>	<b>55,870,121</b>
Net income	-	-	-	-	-	-	916,162	916,162
Other comprehensive (loss)	-	-	-	-	-	(5,000)	-	(5,000)
Comprehensive (loss) income	-	-	-	-	-	(5,000)	916,162	911,162
Private placement	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	-	-	-	-	26,985	-	-	26,985
Deferred income tax	-	89,268	-	-	-	-	-	89,268
<b>Balance at March 31, 2010</b>	<b>122,695,906</b>	<b>57,699,661</b>	<b>4,933,323</b>	<b>2,077,350</b>	<b>8,841,322</b>	<b>(260,000)</b>	<b>(8,655,122)</b>	<b>64,636,534</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	-	-	-	-	-	-	(1,764,093)	(1,764,093)
Other comprehensive loss	-	-	-	-	-	(35,000)	-	(35,000)
Comprehensive loss	-	-	-	-	-	(35,000)	(1,764,093)	(1,799,093)
Exercise of stock options	175,000	105,000	-	-	(35,000)	-	-	70,000
Deferred income tax	-	(8,667)	-	-	-	-	-	(8,667)
Stock-based compensation	-	-	-	-	25,281	-	-	25,281
<b>Balance at March 31, 2011</b>	<b>140,023,206</b>	<b>69,923,466</b>	<b>4,933,323</b>	<b>3,383,533</b>	<b>9,410,227</b>	<b>(200,000)</b>	<b>(16,999,737)</b>	<b>(70,450,812)</b>

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

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 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 registered office and its 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 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 lend a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These unaudited 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.

For the three-month period ended March 31, 2011, the Company reported a loss of \$1,764,093 (an income of \$916,162 for the period ended March 31, 2010) and has an accumulated deficit of \$16,999,737 as at March 31, 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 March 31, 2011, the Company had working capital of \$11,723,592 including cash and cash equivalents of \$7,720,499 of which \$1,391,243 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 March 31, 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 March 31, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on June 13, 2011.

**STRATECO RESOURCES INC.**  
Notes to the Condensed Interim Financial Statements  
For the Three-Month Periods Ended March 31, 2011 and 2010  
(Unaudited)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these unaudited condensed interim financial statements are described below.

**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 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 these interim financial statements. In the 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 International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and International Financial Reporting Standards ("IFRS 1"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Subject to certain transition elections disclosed in Note 5, the accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 (Note 5) for the purposes of the transition to IFRS, as required by first time adoption of IFRS 1.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at June 13, 2011, the date the Board of Directors approved these interim financial statements for issue. Any subsequent changes to IFRS that are issued and effective as at December 31, 2011 could result in a restatement of these interim financial statements, including the transition adjustments recognized on conversion 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. Notes 5, 6, 7 and 8 disclose IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements and considered material in understanding of the unaudited condensed interim financial statements.

**BASIS OF MEASUREMENT**

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances and highly-liquid short-term investments maturing within three months of their acquisition date.

#### EXPLORATION AND EVALUATION

Exploration and evaluation ("E&E") assets are comprised of deferred exploration expenditures and mining properties. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

E&E assets include rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production. These costs are written off when properties are abandoned or when cost recovery or access to resources is uncertain.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include the cost of:

- ◆ establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as a mineral resource;
- ◆ determining the optimal methods of extraction and metallurgical and treatment processes;
- ◆ studies related to surveying, transportation and infrastructure requirements;
- ◆ permitting activities; and
- ◆ economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a mine project moves into the development phase, E&E expenditures are capitalized to mine development costs in property and equipment. If an E&E activity does not prove viable, all irrecoverable costs with the project are written off.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows under the heading Acquisition of mining properties and Increase in deferred exploration expenditures.



# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### GOVERNMENT ASSISTANCE

Mining duties credits are recorded in the statement of income (loss) as current income tax recovery. The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Québec which is recorded against the deferred exploration expenditures.

#### EXPLORATION SUPPLIES

Materials and consumable are valued at the lower of purchase price and net realizable value. The exploration supplies inventories will be used for exploration and are valued at the lower of FIFO and net realizable value. Costs include acquisition, freight and other directly attributable costs.

#### PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment charges. The cost of an item of property and equipment consists of the purchase price which may include construction or development of an item of property and equipment, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Repairs and maintenance costs are charged to the statement of income (loss) during the period in which they are incurred.

Depreciation of property and equipment, if related to E&E activities, is capitalized in deferred exploration expenditures. For those assets which are not related to E&E activities, depreciation expense is recognized in the statement of income (loss).

Property and equipment, including assets recorded under finance leases, are depreciated based on the cost of an item of property plant and equipment less its estimated residual value, using the straight line method until 2014, which is the anticipated timing of the final production decision with the exception of certain vehicles, camp and infrastructure, rolling stock and equipments which are amortized over a three to ten year period based on their estimated useful lives.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the statement of income (loss).

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets and E&E expenses and assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If the recoverable amount of an asset CGU or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

#### LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income (loss) or deferred exploration expenditures over the period of the lease.

The Company leases certain equipment. Leases of equipment for which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of income (loss) as finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### CONVERTIBLE NOTES

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

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

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes and it is presented in Equity as an equity component of convertible notes. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

**STRATECO RESOURCES INC.**  
Notes to the Condensed Interim Financial Statements  
For the Three-Month Periods Ended March 31, 2011 and 2010  
(Unaudited)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

**PROVISIONS AND RESTORATION REHABILITATION AND ENVIRONNEMENTAL OBLIGATIONS**

Provisions for environmental restoration costs and legal claims, where applicable, are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance cost. Changes in assumptions or estimates are reflected in the period in which they occur.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset which is adjusted for changes in the discount rate, future cash outlays and related timing.

**SHARE-BASED PAYMENT TRANSACTIONS**

The fair value of share options granted to employees are recognized as an expense, or capitalized to deferred exploration expenditures over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**DEBT ISSUE COST**

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

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### CAPITAL STOCK AND WARRANTS

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

#### FLOW-THROUGH SHARES

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium") is recognized as other liability which is reversed into earnings when eligible expenditures have been made.

#### INCOME TAXES

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as noncurrent and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax on income in interim periods accrued using the tax rate that would be applicable to expected annual earnings.

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### INCOME (LOSS) PER SHARE

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. The treasury stock method is used to determine the dilutive effect of the warrants, share options and the if-converted method is used for convertible debentures. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants, share options and convertible debentures.

#### BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets when it is probable that they will result in future economic benefits to the Company, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance cost in the statements of income (loss) in the period in which they are incurred.

#### SEGMENT DISCLOSURE

The Company currently operates in a single segment – the acquisition, exploration and development of mineral properties. All of the Company's activities are conducted in Québec, Canada.

#### FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (loss) within *other gains or losses* in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

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Notes to the Condensed Interim Financial Statements  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income (loss) as part of finance income. When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of income (loss) and are included in other gains or losses.

Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

(iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities, loan payable, obligation under capital lease and convertible notes. Accounts payable and liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Loan payable, obligation under capital lease and convertible notes are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

<b>Category</b>	<b>Financial instrument</b>
Loans and receivables	Cash and cash equivalents
Available-for-sale financial assets	Investment
Financial liabilities at amortized cost	Accounts payable and accrued charges Loan payable Obligation under capital lease Convertible notes

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

#### FINANCIAL ASSETS CARRIED AT AMORTIZED COST

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the statement of income (loss).

#### *Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income (loss). This amount represents the cumulative loss in accumulated other comprehensive income (loss) that is reclassified to the statement of income (loss).

Impairment losses on available-for-sale equity financial assets are not reversed.

### 3. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The IASB issued the following standards which are relevant but have not yet been adopted by the Company: IFRS 9, Financial instruments, IFRS 10, Consolidated Financial Statement and IFRS 13, Fair Value Measurement. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

#### IFRS 9 - FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 3. NEW ACCOUNTING STANDARDS NOT YET ADOPTED (CONT'D)

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt it early.

#### IFRS 10 – CONSOLIDATION

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

#### IFRS 13 - FAIR VALUE MEASUREMENT

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

Many of the amounts included in the financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include:

1. Impairment of non-financial assets
  - The Company's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each balance sheet date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in E&E activities and significant drop in uranium prices.



# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

- In the fourth quarter of 2010, based on an assessment for impairment, the Apple property, the related deferred exploration expenditures and the related property and equipment (“Apple assets”) were written down by \$3.1 million, \$828,851 and \$150,000, respectively, on a pro-rata basis of their carrying value as at December 31, 2010, representing an impairment loss of \$4.1 million. The Company estimated the fair value of the Apple assets, representing 50% of the carrying amount of the Apple assets less cost to sell, through application of the market approach utilizing the average variation of the share price calculated from guideline public companies between December 31, 2010 and September 6, 2007, which was the acquisition date of the Apple property by the Company through the issuance of common shares. Guideline public companies are uranium exploration-stage public companies located in Canada that are considered to provide a reasonable basis for comparison to the relative investment characteristics of the property being valued. The choice and the guideline public companies and the estimation of the impairment charge is a significant accounting estimate that requires judgment from the Company.
  - As of March 31, 2011 and in the three-month period then ended, management did not test its non-financial assets for impairment as the Company believes that their value are not affected by of the declining short-term price of uranium and the negative impact of events in Japan. The projects of the Company are not expected to be put into commercial production before 2014 as this is the date at which a final production decision will be taken and the Company believes that the price of uranium at current levels is not indicative of future prices, which are higher, according to management, and does not constitute a material adverse change in the economic environment of the Company that would lead to an impairment test.
2. Recognition of deferred income tax assets and the measurement of income tax expense
- Periodically, we evaluate the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if we believe that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted. Significant judgment is required in determining the current income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.
3. Valuation of share based payments
- The Company records all share based payments using the fair value method. The Company uses the Black-Scholes options pricing model to determine the fair value of stock options and warrants. The main factor affecting the estimates of the fair value of stock options and warrants is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on its historical volatility consideration the expected life of the options and warrants.

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

4. Carrying value of the components of the convertible notes
  - The liability and equity components of convertible notes are presented separately on the balance sheet starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. The prevailing market rate used for the calculation and the identification of similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option is a significant estimate of the Company and a change in the rate could impact the carrying value of the liability component and consequently of the equity component and also impacts the accretion expense which is recorded over the term of the convertibles notes.
5. The estimated useful lives and residual values of property and equipment and the measurement of depreciation expense
  - Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. A large portion of the property and equipment are depreciated using the straight line method until 2014, which is the anticipated timing of the final production decision and a significant accounting estimate by the Company. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future, such as the anticipated timing of the final production decision by the Company and such a change could impact future depreciation expense.
6. Asset retirement obligations
  - Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. The Company intends to make in the future, expenditures to comply with such laws and regulations. The estimated present value of reclamation liabilities is recorded in the period in which the liabilities are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimate of the amount, timing and cost of the work to be carried out.

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

- Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs they will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The Company also estimates the timing of the outlays is subject to change and is currently estimated to be 2014, which is the anticipated timing of the final production decision and a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.
7. Provisions and contingent liabilities
- Judgements are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

### 5. 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 sheet, equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes;
- c) Adjustments to the statement of cash flows;
- d) Additional IFRS information for the year ended December 31, 2010.

#### (a) *Transition elections*

IFRS 1, *First Time Adoption of IFRS*, offers the possibility to utilize 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 transition date no material adjustments were identified. Canadian GAAP balances of equity components relating to share-based payment transactions entered into before that date have been carried forward without adjustment.

## STRATECO RESOURCES INC.

Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

- (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.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

(b) Reconciliation of balance sheet, equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

Ref.	January 1, 2010			March 31, 2010			December 31, 2010			
	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Assets</b>										
<b>Currents assets</b>										
Cash and cash equivalents	(i)	321,065	2,473,260	2,794,325	12,363,918	-	12,363,918	10,057,889	5,000,040	15,057,929
Current portion of tax credits receivable		9,306,880	-	9,306,880	10,261,296	-	10,261,296	8,149,396	-	8,149,396
Sales tax receivable		334,951	-	334,951	1,107,382	-	1,107,382	791,607	-	791,607
Available for sale - investment		45,000	-	45,000	40,000	-	40,000	135,000	-	135,000
Prepaid expenses and other		287,348	-	287,348	463,435	-	463,435	370,761	-	370,761
		10,295,244	2,473,260	12,768,504	24,236,031	-	24,236,031	19,504,653	5,000,040	24,504,693
<b>Non-current portion</b>										
of tax credits receivable		-	-	-	-	-	-	1,935,799	-	1,935,799
Funds reserved for exploration	(i)	2,473,260	(2,473,260)	-	-	-	-	5,000,040	(5,000,040)	-
Mining properties	(ii)	10,827,687	(2,809,321)	8,018,366	10,829,507	(2,809,321)	8,020,186	6,542,234	(2,809,321)	5,132,913
	(v)	-	-	-	-	-	-	-	1,400,000	-
Deferred exploration expenditures	(ii)	36,304,887	-	40,351,341	40,873,103	-	45,260,364	46,251,004	254,870	51,263,145
	(iii)	-	4,046,454	-	-	4,382,285	-	-	4,757,448	-
	(iv)	-	-	-	-	4,976	-	-	78,674	-
	(v)	-	-	-	-	-	-	-	(78,851)	-
Property and equipment	(iv)	1,754,666	49,755	1,804,421	4,130,843	118,743	4,249,585	9,604,358	572,883	10,177,241
		61,655,744	1,286,888	62,942,632	80,069,484	1,696,683	81,766,166	88,838,088	4,175,703	93,013,791
<b>Liabilities</b>										
<b>Current liabilities</b>										
Accounts payable and accrued charges		1,697,302	-	1,697,302	5,561,494	-	5,561,494	2,907,777	-	2,907,777
Loan payable		-	-	-	-	-	-	3,775,843	-	3,775,843
Current portion of obligations under capital leases		156,814	-	156,814	263,369	-	263,369	275,244	-	275,244
Other liability	(vi)	-	490,348	490,348	-	-	-	-	421,057	421,057
		1,854,116	490,348	2,344,464	5,824,863	-	5,824,863	6,958,864	421,057	7,379,921
<b>Obligations under capital leases</b>										
Convertible notes		171,522	-	171,522	192,109	-	192,109	45,003	-	45,003
Deferred income tax liability	(ii)	1,293,000	(1,348,236)	4,346,770	1,132,000	(2,370,078)	5,985,739	-	(1,489,135)	5,911,466
	(iii)	-	4,265,760	-	-	4,473,484	-	-	4,894,774	-
	(vi)	-	136,246	-	-	(254)	-	-	(254)	-
	(vii)	-	-	-	-	2,750,587	-	-	2,506,081	-
Asset retirement obligations	(iv)	160,000	49,755	209,755	325,095	122,055	447,150	1,316,413	608,984	1,925,397
		3,478,638	3,593,873	7,072,511	12,153,838	4,975,795	17,129,632	13,908,993	6,941,507	20,850,500

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

(b) Reconciliation of balance sheet, equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

	Ref.	January 1, 2010			March 31, 2010			December 31, 2010		
		Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Shareholders' equity</b>										
Share capital	(vi)	58,766,177	(1,787,944)	56,882,068	59,079,501	(1,372,944)	57,699,661	71,698,381	(1,794,000)	69,827,133
	(ii)	-	(96,165)	-	7,683,910	(6,896)	4,933,323	7,683,910	(77,248)	4,933,323
Equity component of convertible notes	(vii)	-	-	-	-	(2,750,587)	-	-	(2,750,587)	-
Warrants		-	-	-	2,077,350	-	2,077,350	3,383,533	-	3,383,533
Contributed surplus		8,814,337	-	8,814,337	8,841,322	-	8,841,322	9,419,946	-	9,419,946
Accumulated other comprehensive loss	(viii)	-	(255,000)	(255,000)	-	(260,000)	(260,000)	-	(165,000)	(165,000)
Deficit	(ii)	(9,403,408)	(1,364,921)	(9,571,284)	(9,766,437)	(432,347)	(8,655,122)	(17,256,675)	(988,068)	(15,235,644)
	(iii)	-	(219,306)	-	-	(91,200)	-	-	(137,326)	-
	(iv)	-	-	-	-	1,664	-	-	42,573	-
	(v)	-	-	-	-	-	-	-	1,321,149	-
	(vi)	-	1,161,351	-	-	1,373,198	-	-	1,373,198	-
	(vii)	-	-	-	-	-	-	-	244,505	-
	(viii)	-	255,000	-	-	260,000	-	-	165,000	-
		58,177,106	(2,036,985)	55,870,121	67,915,646	(3,279,112)	64,636,534	74,929,095	(2,765,804)	72,163,291
		<b>61,655,744</b>	<b>1,286,888</b>	<b>62,942,632</b>	<b>80,069,484</b>	<b>1,696,683</b>	<b>81,766,166</b>	<b>88,838,088</b>	<b>4,175,703</b>	<b>93,013,791</b>

# STRATECO RESOURCES INC.

## Notes to the Condensed Interim Financial Statements For the Three-Month Periods Ended March 31, 2011 and 2010 (Unaudited)

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

(b) Reconciliation of balance sheet, equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

	Ref.	Year ended December 31, 2010			Three-month period ended March 31, 2010		
		Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS
		\$	\$	\$	\$	\$	\$
<b>EXPENSES</b>							
Consulting and professional fees		1,283,995	-	1,283,995	199,076	-	199,076
Stock-based compensation		405,423	-	405,423	26,985	-	26,985
Communication and promotion expenses		591,828	-	591,828	271,396	-	271,396
Office expenses		246,221	-	246,221	69,195	-	69,195
Depreciation of property and equipment		38,702	-	38,702	6,127	-	6,127
Impairment of mineral properties, deferred exploration expenditures and property and equipment	(v)	5,400,000	(1,321,148)	4,078,851	-	-	-
Operating loss		(7,966,169)	1,321,148	(6,645,020)	(572,779)	-	(572,779)
Finance income		43,203	-	43,203	10,378	-	10,378
Finance costs							
Accretion expense on convertible notes		1,097,099	-	1,097,099	188,157	-	188,157
Accretion expense on asset retirement obligations	(iv)	76,257	(42,573)	33,684	3,551	(1,664)	1,887
Accretion expense on loans payable		7,049	-	7,049	-	-	-
Interest and bank charges		50,597	-	50,597	572	-	572
Interest on obligations under capital leases		26,852	-	26,852	7,744	-	7,744
Unrealized gain on changes in fair value of investment	(viii)	(90,000)	90,000	-	5,000	(5,000)	-
Loss before income tax		(9,090,820)	1,273,722	(7,817,098)	(767,425)	6,664	(760,761)
Current income tax	(iii)	-	(710,994)	(710,994)	-	(335,831)	(335,831)
Deferred income tax recovery	(ii)	(1,237,553)	(376,852)	(1,441,744)	(404,396)	(932,574)	(1,341,092)
	(iii)	-	629,013	-	-	(207,724)	-
	(vi)	-	(211,846)	-	-	(211,846)	-
	(vii)	-	(244,505)	-	-	-	-
NET (LOSS) INCOME		(7,853,267)	2,188,906	(5,664,361)	(363,029)	1,279,191	916,162
Other comprehensive loss							
Changes in fair value of available-for-sale investment	(viii)	-	(90,000)	(90,000)	-	5,000	5,000
COMPREHENSIVE INCOME (LOSS)		(7,853,267)	2,278,906	(5,574,361)	(363,029)	1,274,191	911,162
NET (LOSS) INCOME PER SHARE, BASIC AND DILUTED		(0.063)		(0.046)	(0.003)		0.007
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)		123,019		123,019	122,429		122,429

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.

### Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

- (b) Reconciliation of balance sheet, equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

##### EXPLANATORY NOTES

- (i) Under IFRS, funds restricted for exploration are not considered to be restricted and are categorized as cash and cash equivalents.
- (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. Such DTL is recorded as a deferred tax expense in the statement of income (loss).

With regards 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. This resulted in a 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.



## STRATECO RESOURCES INC.

### Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

(b) Reconciliation of balance sheet, equity loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes (continued)

(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 E&E assets.

(vi) Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a future tax liability is recognized as a cost of issuing the shares (a reduction in share capital). Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in share capital and the amount the investors pay for the shares (premium) is recognized as other liability which is reversed into earnings as deferred tax recovery when eligible expenditures have been made. The tax effect resulting from the renunciation is recorded as a deferred tax expense when eligible expenditures have been made.

(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 the incidence of tax, 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 would be 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 is 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.

# STRATECO RESOURCES INC.

Notes to the Condensed Interim Financial Statements

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(Unaudited)

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

(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)

<b>Year ended December 31, 2010</b>	<b>Ref.</b>	<b>Canadian GAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
		\$	\$	\$
Cash flow from operating activities	5b (iii)	(3,134,606)	1,151,952	(1,982,654)
Cash flow from investing activities	5b (i) and (iii)	(14,506,671)	(3,625,212)	(18,131,883)
Net variation in cash and cash equivalents	5b (i)	14,736,864	(2,473,260)	12,263,604

  

<b>Three-month period ended March 31, 2010</b>	<b>Ref.</b>	<b>Canadian GAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
		\$	\$	\$
Cash flow from operating activities	5b (iii)	(876,178)	1,151,952	275,774
Cash flow from investing activities	5b (i) and (iii)	(1,845,852)	(3,625,212)	(5,471,064)
Net variation in cash and cash equivalents	5b (i)	12,042,853	(2,473,260)	9,569,593

d) Additional IFRS information for the year ended December 31, 2010

### *Compensation of key management*

The Company has a service agreement with a related party to provide management services to the Company, including senior executives.

Key management includes directors and senior executives. The compensation paid or payable for key management services is presented below:

	<b>Year ended December 31, 2010</b>
	\$
Key management services and directors fees	1,310,000
Share-based payments	405,000
	<b>1,715,000</b>

# STRATECO RESOURCES INC.

Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

## 6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

<b>Mining properties</b>	<b>Interest</b>	<b>December 31, 2010</b>	<b>Additions</b>	<b>Impairment</b>	<b>March 31, 2011</b>
		\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	100%	338,657	-	-	338,657
Matoush Extension	100%	20,842	572	-	21,414
Eclat	100%	1,285,901	-	-	1,285,901
Pacific Bay-Matoush	Option of 60%	438,713	51	-	438,764
<b>Other projects</b>					
Mistassini (Note 10)	Option of 60%	9,827	8,892	-	18,719
Apple	100%	3,038,973	7,080	-	3,046,053
		5,132,913	16,595	-	5,149,508

<b>Mining properties</b>	<b>Interest</b>	<b>January 1, 2010</b>	<b>Additions</b>	<b>Impairment</b>	<b>December 31, 2010</b>
		\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	100%	338,306	351	-	338,657
Matoush Extension	100%	1,236	19,606	-	20,842
Eclat	100%	1,280,807	5,094	-	1,285,901
Pacific Bay-Matoush	Option of 60%	261,279	177,436	-	438,715
<b>Other projects</b>					
Mistassini	Option of 60%	9,041	786	-	9,827
Apple	100%	6,127,697	11,274	(3,100,000)	3,038,971
		8,018,366	214,547	(3,100,000)	5,132,913

<b>Deferred exploration expenditures</b>	<b>March 31, 2011</b>	<b>December 31, 2010</b>	<b>January 1, 2010</b>
	\$	\$	\$
Deferred exploration expenditures	55,251,548	50,386,388	40,138,577
Exploration supplies	1,411,794	876,757	212,764
	56,663,342	51,263,145	40,351,341

<b>Deferred exploration expenditures</b>	<b>December 31, 2010</b>	<b>Additions</b>	<b>Tax credits</b>	<b>Impairment</b>	<b>March 31, 2011</b>
	\$	\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	42,926,625	5,674,158	(1,478,254)	-	47,122,529
Matoush Extension	494,879	8,687	(3,366)	-	500,200
Eclat	4,361,338	7,371	(2,856)	-	4,365,853
Pacific Bay-Matoush	1,237,034	501,940	(194,502)	-	1,544,472
<b>Other projects</b>					
Mistassini (Note 10)	572,272	534,468	(207,106)	-	899,634
Apple	794,240	24,854	(234)	-	818,860
	50,386,388	6,751,478	(1,886,318)	-	55,251,548

# STRATECO RESOURCES INC.

Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

Deferred exploration expenditures	January 1, 2010	Additions	Tax credits	Impairment	December 31, 2010
	\$	\$	\$	\$	\$
<b>Matoush project</b>					
Matoush	35,515,996	12,085,631	(4,675,002)	-	42,926,625
Matoush Extension	471,425	38,290	(14,836)	-	494,879
Eclat	1,113,569	5,302,480	(2,054,711)	-	4,361,338
Pacific Bay-Matoush	923,867	527,330	(214,163)	-	1,237,034
<b>Other projects</b>					
Mistassini	555,156	21,878	(4,762)	-	572,272
Apple	1,558,564	72,375	(7,848)	(828,851)	794,240
	40,138,577	18,047,984	(6,971,322)	(828,851)	50,386,388

## 7. PROPERTY AND EQUIPMENT

	Buildings and infrastructure	Vehicles and rolling stock	Equipment	Total (iii)
	(i)	(ii)	\$	\$
	\$	\$	\$	\$
<b>As at January 1, 2010</b>				
Cost	2,065,494	344,545	749,137	3,159,176
Accumulated depreciation	(774,728)	(297,094)	(282,933)	(1,354,755)
Net book value	1,290,766	47,451	466,204	1,804,421
<b>Year ended December 31, 2010</b>				
Opening net book value	1,290,766	47,451	466,204	1,804,421
Additions	9,551,227	153,831	197,500	9,902,558
Depreciation	(1,125,144)	(53,563)	(201,031)	(1,379,738)
Impairment charges	(150,000)	-	-	(150,000)
Net book value	9,566,849	147,719	462,673	10,177,241
<b>As at December 31, 2010</b>				
Cost	11,616,721	498,376	946,637	13,061,734
Accumulated depreciation	(1,899,872)	(350,657)	(483,964)	(2,734,492)
Accumulated impairment charges	(150,000)	-	-	(150,000)
Net book value	9,566,849	147,719	462,673	10,177,241
<b>Three-month period ended March 31, 2011</b>				
Opening net book value	9,566,849	147,719	462,673	10,177,241
Additions	279,264	-	-	279,264
Depreciation	(696,403)	(14,330)	(54,865)	(765,598)
Net book value	9,149,710	133,389	407,808	9,690,907
<b>As at March 31, 2011</b>				
Cost	11,895,985	498,376	946,637	13,340,998
Accumulated depreciation	(2,596,275)	(364,987)	(538,829)	(3,500,091)
Accumulated impairment charges	(150,000)	-	-	(150,000)
Net book value	9,149,710	133,389	407,808	9,690,907

## STRATECO RESOURCES INC.

### Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

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

- (i) The amounts of property and equipment that were purchased and delivered or are under construction on the Matoush project site and which were not amortized as of March 31, 2011 and December 31, 2010 amounted to \$544,859 and are presented in building and infrastructure (nil as at January 1, 2010).
- (ii) There was no depreciation expense relating to capital leases expensed in the statement of income (loss). Depreciation expense relating to property and equipment under capital lease of \$164,467 was capitalized in deferred exploration expenditures for the year ended December 31, 2010.

Included in buildings and infrastructure there are buildings and infrastructure under finance lease having net book values of \$248,987 and \$328,499 as at March 31, 2011 and December 31, 2010, respectively.

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

#### 8. LOANS PAYABLE AND CONVERTIBLE NOTES

	Convertible notes	Loans payable	Total
	\$	\$	\$
<b>As at January 1, 2010</b>			
Additions	4,491,614	6,254,927	10,746,541
Finance costs	1,097,099	20,916	1,118,015
Repayment	-	(2,500,000)	(2,500,000)
<b>As at December 31, 2010</b>	5,588,713	3,775,843	9,364,556
Additions	-	-	-
Finance costs	334,449	54,085	388,534
Repayment	-	-	-
<b>As at March 31, 2011</b>	5,923,162	3,829,927	9,753,089

## STRATECO RESOURCES INC.

Notes to the Condensed Interim Financial Statements

For the Three-Month Periods Ended March 31, 2011 and 2010

(Unaudited)

### 9. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month periods ended March 31	
	2011	2010
	\$	\$
Non-cash transactions:		
Deferred exploration expenditures included in accounts payable and accrued liabilities	2,618,164	3,197,845
Additions to property and equipment included in accounts payable and accrued liabilities	17,829	885,222
Tax credits receivable presented as a reduction of deferred expenditures	1,886,318	1,770,537
Property and equipment recorded pursuant to capital leases obligations	-	171,853
Property and equipment recorded pursuant to an asset retirement obligations	19,290	236,298
Depreciation of property and equipment included in deferred exploration expenditures	753,949	180,240
Units issued for share issue costs net of the tax impact of \$171,604	-	578,396
Stock-based compensation capitalized in deferred exploration expenses	3,614	-

### 10. SUBSEQUENT EVENT AT THE CLOSING DATE

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% ownership percentage in the joint venture. The primary asset of the joint venture is the Mistassini property (Note 6).