

parker simone LLP



(formerly Uranium City Resources Inc.)

Audited Financial Statements

Years ended

December 31, 2008 and 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Strategic Resources Inc. (formerly Uranium City Resources Inc.), or the Company, have been prepared by management in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide assurance that transactions are authorized, assets safeguarded and proper records maintained.

The Audit Committee of the Board of Directors has reviewed with the Company's independent auditors the scope and results of the annual audit and the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, parker simone LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109.

"Malcolm Bucholtz"

President and Chief Executive Officer

April 22, 2009

"Stephen M. Gledhill"

Chief Financial Officer

parker simone LLP

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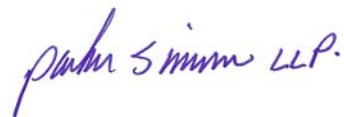
AUDITORS' REPORT

To the Shareholders of
Strategic Resources Inc.
(formerly Uranium City Resources Inc.)

We have audited the balance sheets of Strategic Resources Inc. *(formerly Uranium City Resources Inc.)* as at December 31, 2008 and 2007 and the statements of operations and comprehensive net loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink that reads "parker simone LLP." The signature is written in a cursive, flowing style.

April 22, 2009

Licensed Public Accountants

Strategic Resources Inc.
(formerly known as Uranium City Resources Inc.)

Balance Sheets

(Canadian Dollars)

<i>As at December 31,</i>	2008	2007
Assets	\$	\$
Current assets		
Cash and cash equivalents (Note 2)	658,100	5,862,174
Restricted cash (Note 3)	-	254,911
GST recoverable	24,591	76,715
Accounts receivable and prepaid expenses (Note 6)	92,955	20,097
Advances (Note 4)	-	291,781
Assets held for sale (Note 7)	256,500	-
	1,032,146	6,505,678
Mineral properties and deferred expenditures (Note 5)	1,259,990	7,885,485
Property and equipment (Note 8)	726,792	510,565
	3,018,928	14,901,728
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	225,756	437,184
Due to manager (Note 6)	-	65,276
	225,756	502,460
Future income taxes (Note 11)	-	2,383,000
	225,756	2,885,460
Shareholders' equity		
Capital Stock		
Common shares (Note 9)	8,662,876	8,554,645
Contributed surplus (Note 10)	5,749,732	5,749,732
Deficit	(11,619,436)	(2,288,109)
	2,793,172	12,016,268
	3,018,928	14,901,728

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

Approved by the Board:

"Malcolm Bucholtz"

"John Cook"

Director

Director

Strategic Resources Inc.
(formerly known as Uranium City Resources Inc.)

Statements of Operations and Comprehensive Net Loss and Deficit

(Canadian Dollars except share and per share amounts)

	Year Ended December 31, 2008	Year Ended December 31, 2007
Revenue	\$	\$
Interest income	109,453	183,500
	109,453	183,500
Operating expenses		
Office and general	300,077	286,886
Public relations	24,779	156,882
Professional fees	89,542	75,687
Shareholder information	26,039	26,833
Consulting	159,910	179,983
Stock-based compensation (Note 9)	-	886,491
Part XII.6 taxes (Note 1)	180,378	-
	780,725	1,612,762
Net loss before gains (losses), future income tax recoveries and write-downs	(671,272)	(1,429,262)
Loss on sale of equipment	(57,975)	(25,325)
Write-down of resource properties (Note 5)	(10,916,534)	(213,764)
Other write-downs and provisions (Note 6)	(68,546)	-
Net loss before future income tax recoveries	(11,714,327)	(1,668,351)
Future income tax recoveries (Note 11)	2,383,000	671,000
Net Loss and Comprehensive Net Loss	(9,331,327)	(997,351)
Deficit at beginning of year	(2,288,109)	(1,290,758)
Deficit at end of year	(11,619,436)	(2,288,109)
Basic and fully diluted net loss per share (Note 1)	(18.2)¢	(2.2)¢
Weighted average number of shares (000's)	51,363	45,906

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

These financial statements have been approved by the Company's Board of Directors.

Strategic Resources Inc.
(formerly known as Uranium City Resources Inc.)

Statements of Cash Flow

(Canadian Dollars)

	Year Ended December 31, 2008	Year Ended December 31, 2007
Operations	\$	\$
Net loss	(9,331,327)	(997,351)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	59,947	53,661
Loss on sale of equipment	57,975	25,325
Write-down of resource properties	10,916,534	213,764
Provision against amounts due from manager	68,546	-
Future income tax recoveries	(2,383,000)	(671,000)
Stock-based compensation	-	886,491
Net change in non-cash working capital items:		
GST recoverable	52,124	45,421
Account receivable and prepaid expenses	(72,857)	(9,362)
Advances	291,781	1,182,662
Accounts payable and accrued liabilities	(211,428)	(23,935)
Due to manager	(133,822)	(158,613)
Cash Flow (used in) from Operating Activities	(685,527)	547,063
Financing		
Issuance of common shares (net of issuance costs)	40,731	6,571,282
Cash Flow from Financing Activities	40,731	6,571,282
Investments		
Net, Purchases of property and equipment	(398,567)	(633,328)
Expenditures on deferred exploration	(4,415,622)	(2,960,559)
Due from related parties	-	25,654
Restricted cash (Note 3)	254,911	-
Cash Flow used in Investing Activities	(4,559,278)	(3,568,233)
Increase in cash and cash equivalents	(5,204,074)	3,550,112
Cash and cash equivalents at beginning of year	5,862,174	2,312,062
Cash and cash equivalents at end of year	658,100	5,862,174

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

These financial statements have been approved by the Company's Board of Directors.

Strategic Resources Inc.
(formerly known as Uranium City Resources Inc.)
Notes to the Audited Financial Statements
Years ended December 31, 2008 and 2007

General

Strategic Resources Inc. ("SRI", or the "Company") was incorporated in the province of Ontario as Uranium City Resources Inc. ("UCR") in September 2004. At a special shareholders' meeting held on February 13, 2009 ("Special Shareholders' Meeting"), the shareholders of the Company approved a change to UCR's name to SRI. On March 6, 2009, articles of amendment were completed and the name change to Strategic Resources Inc. was effected and on March 9, 2009, the Company's TSXV trading symbol changed to "UVR" from "UCR".

At the Special Shareholders' Meeting, shareholders also approved the following items that have altered the Company's ongoing mandate and focus:

1. The sale (the "Sale") of a 100% interest in all of the Company's mineral claims located near Uranium City in the Province of Saskatchewan pursuant to the letter agreement dated November 24, 2008 between UCR and Red Rock Energy Inc. ("Red Rock") for total consideration of \$975,000 comprised of \$75,000 in cash and remaining \$900,000 in either cash or 5,000,000 common shares of Red Rock with the method of payment being made in Red Rock's sole discretion. If the balance of the purchase price is settled through the issuance of Red Rock common shares, such shares will have a 4-month-plus-1-day trading hold place upon them.
2. An amendment to the articles of incorporation to add preferred shares to the capital structure of the Company.
3. Changing the municipality of the Company's office to Toronto, Ontario from its previous location in Kirkland Lake, Ontario.

Although the Sale was not approved or completed prior to December 31, 2008 these financial statements reflect a write-down in the carrying values of its mineral properties and deferred exploration expenditures regarding the Sale of the related properties to \$975,000.

1. Summary of Significant Accounting Policies

Nature of Operations

SRI is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of SRI to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

Going Concern

These audited financial statements (the "Financial Statements") have been prepared on the basis of accounting principles applicable to a going concern, which assume that Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, these Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Financial Statements.

Strategic Resources Inc.
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If the going concern assumption is not appropriate, then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in the Financial Statements. The reader is also directed to review *Note 1(b)(vi) – Liquidity Risk*.

Capital Disclosure and Financial Instruments – Disclosure and Presentation.

On December 1, 2006, the CICA issued three new accounting standards: *CICA 1535 – Capital Disclosures*, *CICA 3862 – Financial Instruments – Disclosure* and *CICA 3863 – Financial Instruments – Presentation*. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning January 1, 2008.

(a) Capital Disclosures

CICA 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has adopted this standard as of January 1, 2008.

The Company manages its common shares, warrants and options as capital. The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital restrictions.

(b) Financial Instruments – Disclosure and Presentation

CICA 3862 and *CICA 3863* replace *CICA 3861 – Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has adopted these standards as of January 1, 2008.

Strategic Resources Inc.
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i) Fair value

The carrying values of the Company's current assets and current liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

ii) Interest-rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in government investment certificates. A change in the interest rate of 1% would cause annual interest income to change by less than \$7,000.

iii) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company is exposed to various degrees of credit risk depending on the financial instrument in question:

- a. **GST recoverable** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.
- b. **Receivables, prepaids and deposits** – These amounts are due as a result of various credits from existing and current suppliers. The Company is not exposed to significant credit risk on these financial instruments as utilization of the supplier credits is expected in the short term.
- c. **Advances** – The Company is exposed to credit risk on a significant portion (2008 - Nil; 2007 - \$267,518) of these financial instruments as these amounts were due from a drilling contractor (*Note 4*). In order to mitigate the credit risk associated with these financial instruments, the Company retains collateral security in the form of registered ownership of the assets underlying the financial instruments until the loan is paid in full.

iv) Derivatives risk – mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

v) Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company believes that a change of 10% in F/X rates would cause no impact on the income statement, but would increase/decrease mineral property commitments by less than \$73,000.

vi) Liquidity risk

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The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2008, the Company had a working capital balance of \$806,390 (2007 – \$6,003,218). The Company has sufficient working capital to discharge its current to mid-term obligations. However, in order to meet its long-term working capital obligations, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that SRI will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of SRI may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its some or all of its interests and reduce or terminate its operations therein.

Hedges

CICA 3865 provides alternative treatments to *CICA 3855* for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 – “Hedging Relationships”, and the hedging guidance in *CICA 1650 – Foreign Currency Translation* by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. As at and for the year ended December 31, 2008, the Company had no hedges in place.

Revenue Recognition

The Company recognizes interest revenue over the passage of time on a quarterly basis.

Income Taxes

SRI follows the liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

Mineral Properties

SRI defers the costs of exploration and capital assets on existing projects and carries them as assets until production commences. Mineral properties and the deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration expenditures are written-off.

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on the declining balance basis at various rates between 3% and 30% per year, depending on the asset.

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Flow-Through Common Shares

Proceeds received on the issuance of common shares or warrants, which transfer the tax deductibility of mineral exploration expenditures to investors, are credited to the capital stock and the related exploration costs are charged to deferred exploration expenditures. Flow-through expenditures not made in the year of the tax-deductible transfer are subject to Part XII.6 taxes on the monthly outstanding expenditure balance in the following year.

Issuance of Options and Warrants

SRI records employee stock-based compensation and warrant issuances using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the equity instruments issued and are amortized over the vesting period. The offset to stock-based compensation is recorded to contributed surplus. Contributed surplus is relieved of these costs to the extent that the value of any exercised options or warrants is less than the current market price of the shares acquired by the holder of the options warrants.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table below summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2008 and 2007.

The weighted-averages used in the Black-Scholes option pricing method were as follows:

	2008	2007
Dividend Yield	-	-
Expected volatility	N/A	116.3%
Risk-free interest rate	N/A	0.6%
Expected life (years)	N/A	2.4

Loss Per Share

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. Actual results could differ from those estimates.

Asset Retirement Obligations

In periods when the Company has projects under development, *CICA 3110 - Asset Retirement Obligations* requires the Company to assess whether an asset retirement obligation ("ARO") liability

Strategic Resources Inc.
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will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrete the discounted ARO obligation amount to the final expected liability.

As at December 31, 2008, the Company did not have projects under development and therefore there is no legal obligation requiring remediation.

Impairment of Long-lived Assets

The Company has adopted *CICA 3063 – Impairment of Long-Lived Assets*. Senior management periodically reviews the carrying value of mineral properties and deferred exploration costs to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated fair value which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, senior management assesses if carrying value can be recovered and provides for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value. As at December 31, 2008, SRI has taken a write-down of \$10,916,534 (2007 - \$213,764).

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and guaranteed investments certificates ("GIC's") (2007 only) upon which interest accrued to the benefit of the Company. The conditions of the GIC's provided for early withdrawal of partial amounts of no less than \$100,000 (or for balances less than \$100,000, the whole amount), in anticipation of Company cash requirements.

Future Accounting Changes

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Section 3064 - Goodwill and intangible assets

Effective January 1, 2009, the Company will adopt Section 3064, *Goodwill and intangible assets*, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. The Company presently does not have any

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goodwill and therefore the adoption of this new policy will have no impact on the Company at the present time.

EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

EIC 174 – Mining Exploration Costs

On March 27, 2009 the EIC issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009 and the Company has adopted EIC-174.

Other Standards

The CICA issued new accounting standard Section 3031 Inventory which becomes effective for the fiscal year beginning on or after October 1, 2008. Section 3031 establishes standards for the measurement of inventories, allocations of overhead, accounting for write-downs and disclosures. The Corporation has determined that this new standard will have no material impact on the financial statements.

Comparative figures

Some comparative figures have been reclassified to conform to the presentation format used in the current period

2. Cash and Cash Equivalents

The balance at December 31, 2008, consists of \$658,100 (2007 - \$2,725,655) on deposit with a bank and \$Nil (2007 - \$3,136,519) in a term deposit accruing interest at prime -2%.

3. Restricted Cash

The Company has made payments to *Saskatchewan Industry and Resources* for deficient exploration expenditures on two of its mineral properties. As these funds will only be returned once the required work expenditures have been made on properties in question and those properties form part of the Sale properties, these costs have been written off.

4. Advances

The Company has advanced a total of \$Nil (2007 - \$291,781). Of this amount, \$Nil (2007 - \$24,264) has been advanced to various suppliers to cover the cost of services to be incurred. The remaining balance of \$Nil (2007 - \$267,518) has been advanced to a contractor for drilling equipment and SRI

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has entered into a drilling contract (the "Drilling Agreement") with the contractor whereby the contractor agreed to complete part of the Company's drill program and the Company agreed to sell the contractor a drill for \$264,157 (plus GST) (the "Purchase Price"). Under the terms of the Drilling Agreement, the Company will deduct from each the contractor's billings an amount equal to between 10% and 15% of the billing with such amount being used to reduce the outstanding purchase price of the drill. As the Company entered into the Sale, its drill program for the Sale properties was terminated. As such, the Drill Agreement was also terminated and the Company did not complete the sale of the drill. Payments made by the contractor pursuant to the Drill Agreement, have been recorded as a reduction to the carrying value of the drill.

5. Mineral Properties and Deferred Expenditures

December 31, 2008					
	Opening Balance	Additions	Transferred to assets held for sale (note 7)	Write-downs	Net
	\$	\$	\$	\$	\$
New Mexico	-	99,507	-	-	99,507
Contact Lake	1,475,015	3,534	-	(1,344,126)	134,423
Inspiration Lake	431,914	114	-	(392,750)	39,278
Fishhook	920,920	324,714	-	(1,132,387)	113,247
Eldorado Lake	3,455,688	1,863,311	-	(4,835,420)	483,579
Quartzite Ridge	595,865	58,994	-	(654,859)	-
Gunner Area	212,797	32,222	-	(222,743)	22,276
Virgin Adit	33,141	303,901	-	(306,400)	30,642
Eagle Lake	66,913	938,184	-	(913,718)	91,379
Sheffield/Sopps	-	515,023	-	(515,023)	-
Neely Lake	82,075	13,718	-	-	95,793
McIntosh Bay	62,151	27,538	-	-	89,689
General and other	549,006	366,779	(256,500)	(599,108)	60,177
	7,885,485	4,547,539	(256,500)	(10,916,534)	1,259,990

During the year, amortization expense of \$64,417 (2007 - \$31,400) and \$67,500 (2007 - \$Nil) of acquisition costs satisfied by the issuance of common shares (Note 9) is included in the additions to mineral properties and deferred expenditures.

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December 31, 2007					
	Opening Balance	Additions	Disposals	Write-downs	Net
	\$	\$	\$	\$	\$
Contact Lake	1,438,092	36,923	-	-	1,475,015
Inspiration Lake	394,323	37,591	-	-	431,914
Fishhook	888,506	32,412	-	-	920,920
Eldorado Lake	1,651,226	1,804,462	-	-	3,455,688
Quartzite Ridge	179,737	416,128	-	-	595,865
Gunner Area	175,721	37,076	-	-	212,797
Virgin Adit	30,956	2,185	-	-	33,141
Eagle Lake	65,451	1,462	-	-	66,913
Sheffield/Sopps	-	-	-	-	-
Neely Lake	8,185	73,890	-	-	82,075
McIntosh Bay	49,266	12,885	-	-	62,151
General and other	225,825	536,945	-	(213,764)	549,006
	5,107,290	2,991,959	-	(213,764)	7,885,485

The Company has the following commitments regarding its properties that remain subsequent to the closing of the Sale:

	Year	Neely Lake	McIntosh Bay	New Mexico	Total
Cash (\$)	2009	-	30,000 ¹	-	30,000
Shares	2009	-	-	1,000,000 ²	1,000,000
Shares	2010	-	-	1,000,000 ³	1,000,000
		-	-	2,000,000	2,000,000
Work expenditures (\$)	2009	-	-	243,600	243,600
Work expenditures (\$)	2010	-	-	243,600	243,600
Work expenditures (\$)	2011	-	-	243,600	243,600
		-	-	730,800	730,800

¹ Payment equivalent to 10% of total cost of work applied to the property in that year, whichever is greater.

² Payment of US\$150,000 may be made instead of share issuance.

³ Payment of US\$200,000 may be made instead of share issuance.

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6. Related Party Transactions

Due to Manager:

Under the terms of a purchase and sale agreement SRI has appointed GLR as the manager of all exploration, development and mining operations in, on or under the mineral properties that were acquired from GLR. As manager, GLR is to receive from the Company a fee equal to 5% of all amounts paid to third parties pursuant to drilling contracts, 10% of all other expenditures incurred directly or indirectly in connection with such exploration and development operations and 3% of all expenditures incurred after commencement of production. The fee paid to GLR as manager for the year ended December 31, 2008, was \$214,723 (2007 - \$166,067).

As at December 31, 2008, GLR owed SRI a total of \$68,546 (2007 – SRI owed GLR \$65,276). This amount has been completely provided for and an allowance of \$68,546 (2007 - \$Nil) has been recorded as the Company's anticipates that these funds will not be recovered.

The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

	2008	2007
Transactions during the year:	\$	\$
Exploration expenditures	120,497	268,996
Consulting fees	157,475	101,545
Administrative costs	20,392	21,186
Management fees	214,723	166,067
Due (to) from related parties:	\$	\$
Accounts receivable and prepaid expenses	7,468	-
Management fees payable	-	(65,276)

7. Assets held for sale

The Company has entered into the Sale (*note 1*) pursuant to which, a majority of its Saskatchewan properties will be sold. As such, the Company has curtailed virtually all exploration in the area and is exploring any opportunity or offers for the purchase of some of its exploration assets and has categorized them as assets held for sale. Subsequent to year end, these assets were sold and gross proceeds of \$256,500 were received.

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8. Property and Equipment

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	7,800	-	7,800	-
Exploration equipment	472,139	89,453	250,674	39,315
Equipment	374,240	131,208	309,661	89,142
Furniture and fixtures	1,267	748	1,267	618
Buildings	97,567	4,812	72,567	2,330
	953,013	226,221	641,969	131,405
Net Book Value	726,792		510,565	

9. Capital Stock

Share Capital

SRI's authorized share capital consists of an unlimited number of Common shares.

The issued and outstanding Common share capital is as follows:

	Number of Shares	\$
Balance at December 31, 2006	37,112,330	5,564,897
Issued for cash: Regular units	1,612,246	790,001
Flow-through units	10,773,583	5,710,000
Issue costs of shares issued	-	(576,749)
Options exercised	100,000	42,000
Warrants exercised	890,488	413,767
Broker warrants exercised	505,485	192,262
Value transfer of exercised options and warrants	-	207,424
Fair value of issued warrants	-	(2,018,957)
Future income taxes	-	(1,770,000)
Balance at December 31, 2007	50,994,132	8,554,645
Issued in lieu of property option payment	1,500,000	67,500
Issue costs reimbursement	-	40,731
Balance at December 31, 2008	52,494,132	8,662,876

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2008

During the 12 months ended December 31, 2008, the Company became aware of funds held with legal counsel regarding the financing completed in 2007. The amount of \$40,730 that was originally charged to capital stock was reversed and the remaining balance of the funds still on deposit with the Company's legal counsel is included in cash and cash equivalents.

The Company also issued 1,500,000 shares valued at \$67,500 in lieu of an option payment regarding its New Mexico property.

2007

During the 12 months ended December 31, 2007, the Company completed a brokered private placement of 1,612,246 units at \$0.49 per unit (a "Unit") and 10,773,583 flow-through units at \$0.53 per unit (a "Flow-through Unit") for total gross proceeds of \$6.5 million. Each Unit and Flow-through Unit consisted of 1 common share of the Company together with 1 share purchase warrant (a "Warrant"). Each Warrant is exercisable into 1 common share of the Company until May 25, 2009 for \$1.00 during the first 12 months and \$1.25 for the remaining 12 months. In addition, the agent was paid a cash commission equal to 7% of the gross proceeds and was granted 1,114,724 agent units (each an "Agent Unit"). Each Agent Unit is exercisable at a price of \$0.49 until May 25, 2009 and consists of one common share of the Company together with one Warrant. Each warrant is exercisable into 1 common share of the Company until May 25, 2009 for \$1.00 during the first 12 months and \$1.25 for the remaining 12 months. The Agent Units were assigned a value of \$359,558 using the Black-Scholes valuation model.

The Company also raised proceeds of \$42,000 and \$606,029 with the exercise of 100,000 options and 1,395,973 warrants, respectively.

Outstanding Issued Warrants

The outstanding Issued Warrants balance at December 31, 2008, is comprised of the following items:

Date of Expiry	Type	No. of Warrants	Exercise Price (\$)
May 25, 2009	Warrant (regular issue)	10,773,583	1.25
May 25, 2009	Warrant (flow-through issue)	1,612,246	1.25
May 25, 2009	Agent's Unit	1,114,724	0.49
May 25, 2009	Agent's Warrant	1,114,724	1.25
Total		14,615,277	

Options

SRI has a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. The plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at December 31, 2008 the Company had 3,164,413 (2007 – 1,064,413) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

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	2008		2007	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
	\$		\$	
Outstanding at beginning of year	0.46	4,035,000	0.43	2,585,000
Transactions during the year:				
Granted	-	-	0.47	2,475,000
Exercised	-	-	0.42	(100,000)
Forfeited	0.48	(1,950,000)	0.43	(825,000)
Expired	-	-	0.50	(100,000)
Outstanding at December 31	0.44	2,085,000	0.46	4,035,000
Exercisable at December 31	0.44	2,085,000	0.46	3,935,000

The following table provides additional information about outstanding stock options at December 31, 2008:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)	No. of Options Currently Exercisable	Weighted Average Exercise Price (\$) of Exercisable Options
\$0.32 - \$0.40	450,000	3.7	0.33	450,000	0.33
0.41 - 0.50	1,685,000	2.6	0.46	1,685,000	0.46
\$0.32 - \$0.50	2,085,000	2.8	0.44	2,085,000	0.44

Stock-based compensation

The fair value of the stock options granted for the 12 months ended December 31, 2008 was \$Nil (2007 – \$886,491), which amount has been expensed in the statement of operations. The calculated fair value on the grant-date of options averages approximately \$Nil (2007 - \$0.37) per option.

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10. Contributed Surplus

A summary of the changes in the Company's contributed surplus for the years ended December 31, 2008 and 2007 is set out below:

	2008	2007
	Amount	Amount
	\$	\$
As at January 1	5,749,732	3,051,708
Fair value of issued warrants	-	2,018,957
Value transfer of exercised options and Warrants	-	(207,424)
Stock-based compensation	-	886,491
As at December 31	5,749,732	5,749,732

11. Income Taxes

Future Income Tax Recoveries

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2008	%	2007	%
Income tax recoveries at statutory rates	(3,924,000)	(33.5)	(517,200)	(31.0)
Effect of change on temporary differences of utilized tax rate	542,000	4.7	(181,300)	(10.9)
Financing fees deductible for tax purposes	-	-	(178,800)	(10.7)
Non-deductible expenses for tax purposes:				
Stock-based compensation	-	-	274,800	16.5
Other	3,000	-	(68,500)	(4.1)
Valuation Allowance	996,000	8.5	(68,500)	(4.1)
Future income tax recoveries	(2,383,000)	(20.3)	(671,000)	(40.2)

The Canadian statutory income tax rate of 33.5% (2007 - 31%) is comprised of the federal income tax rate at approximately 19.5% (2007 - 22.1%) and the provincial income tax rate of approximately 14.00% (2007 - 8.90%).

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$580,000 (2007 - \$921,000) and will be deductible in Canada over the next three years.

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As at December 31, 2008, the Company has \$3,775,000 (2007 - \$4,333,000) of unused CEE, CDE and SFEDE expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely.

The Company also has \$807,000 (2007 - \$506,000) in non-capital losses carry-forward for which no benefit has been recognized in the accounts. These losses expire as follows:

	\$
2026	195,000
2027	311,000
2028	301,000
	807,000

Future Income Tax Liability

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities are:

	2008	2007
<i>Future tax asset:</i>	\$	\$
Mineral properties and deferred exploration	629,000	-
Operating losses carry forward	202,000	157,000
Other temporary differences	165,000	332,000
	996,000	489,000
Less: valuation allowance	(996,000)	-
Ending balance	-	489,000
<i>Future tax liability:</i>		
Mineral properties and deferred exploration	-	(2,872,000)
Ending balance	-	(2,872,000)
<i>Future income tax asset (liability)</i>	-	(2,383,000)