



(formerly Uranium City Resources Inc.)

**Audited
Consolidated Financial Statements**

Years ended

December 31, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated 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"

Malcolm Bucholtz
President and Chief Executive Officer

April 6, 2010

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

parker simone LLP

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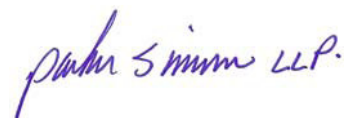
AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Strategic Resources Inc. *(formerly Uranium City Resources Inc.)* as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive loss and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



April 26, 2009

Licensed Public Accountants

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

Consolidated Balance Sheets

(Canadian Dollars)

As at December 31,	2009	2008
Assets	\$	\$
Current assets		
Cash and cash equivalents (note 8)	512,367	658,100
GST recoverable	3,513	24,591
Accounts receivable and prepaid expenses	27,114	92,955
Assets held for sale (note 10)	270,000	256,500
	812,994	1,032,146
Investments (note 11)	500,000	-
Mineral properties and deferred expenditures (note 12)	299,419	1,259,990
Property and equipment (note 14)	66,087	726,792
	1,678,500	3,018,928
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	27,038	225,756
	27,038	225,756
Shareholders' equity		
Capital Stock		
Common shares (note 15)	8,715,376	8,662,876
Contributed surplus (note 15)	5,820,232	5,749,732
Deficit	(12,534,146)	(11,619,436)
Accumulated other comprehensive loss	(350,000)	-
	1,651,462	2,793,172
	1,678,500	3,018,928

Going concern (note 1)

Subsequent events (note 18)

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

Approved by the Board:

"Malcolm Bucholtz"

"John Cook"

Director

Director

Strategic Resources Inc.
(formerly known as Uranium City Resources Inc.)
Consolidated Statements of Operations and Deficit
(Canadian Dollars except share and per share amounts)

Year Ended December 31,	2009	2008
Revenue	\$	\$
Interest income	450	109,453
	450	109,453
Operating expenses		
Office and general	97,681	300,077
Public relations	10,396	24,779
Professional fees <i>(note 13)</i>	101,155	89,542
Shareholder information	34,372	26,039
Consulting <i>(note 13)</i>	113,245	159,910
Stock-based compensation <i>(note 15)</i>	70,500	-
Part XII.6 taxes	-	180,378
	427,349	780,725
Net loss before losses, future income tax recoveries and write-downs	(426,899)	(671,272)
Foreign exchange loss	(4,069)	-
Loss on sale of equipment	(185,586)	(57,975)
Write-down of mineral properties and deferred expenditures <i>(note 12)</i>	(248,156)	(10,916,534)
Other write-downs and provisions <i>(note 13)</i>	-	(68,546)
Net loss before future income tax recoveries	(864,710)	(11,714,327)
Future income (tax) recoveries <i>(note 16)</i>	(50,000)	2,383,000
Net loss	(914,710)	(9,331,327)
Deficit at beginning of year	(11,619,436)	(2,288,109)
Deficit at end of year	(12,534,146)	(11,619,436)
Basic and fully diluted net loss per share	(1.7)¢	(18.2)¢
Weighted average number of shares (000's)	52,024	51,363

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

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

**Statements of Comprehensive Loss
and Accumulated Other Comprehensive Loss**

Year Ended December 31,	2009	2008
	\$	\$
Net loss	(914,710)	(9,331,327)
Other comprehensive loss:		
Unrealized loss on investments (net of future income taxes of \$50,000)	(350,000)	-
Total comprehensive loss	(1,264,710)	(9,331,327)
	\$	\$
Opening accumulated other comprehensive loss	-	-
Unrealized loss on investments	(350,000)	-
Accumulated other comprehensive loss	(350,000)	-

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

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

Statements of Cash Flow

(Canadian Dollars)

Year Ended December 31,	2009	2008
Operations	\$	\$
Net loss	(914,710)	(9,331,327)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	23,102	59,947
Foreign exchange loss	635	-
Loss on sale of equipment	185,586	57,975
Write-down of resource properties	248,156	10,916,534
Provision against amounts due from manager	-	68,546
Future income tax (recoveries)	50,000	(2,383,000)
Stock-based compensation	70,500	-
Net change in non-cash working capital items:		
GST recoverable	21,078	52,124
Account receivable and prepaid expenses	65,841	(72,857)
Advances	-	291,781
Accounts payable and accrued liabilities	(198,717)	(211,428)
Due to manager	-	(133,822)
Cash flow used in from operating activities	(448,529)	(685,527)
Financing		
Issuance of common shares (net of issuance costs)	-	40,731
Cash flow from financing activities	-	40,731
Investments		
Net sales (purchases) of property and equipment	406,321	(398,567)
Expenditures on deferred exploration	(103,525)	(4,415,622)
Restricted cash (note 9)	-	254,911
Cash flow from (used in) investing activities	302,796	(4,559,278)
Decrease in cash and cash equivalents	(145,733)	(5,204,074)
Cash and cash equivalents at beginning of year	658,100	5,862,174
Cash and cash equivalents at end of year	512,367	658,100

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

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

Notes to the Audited Consolidated Financial Statements
Years ended December 31, 2009 and 2008

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 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 SRI and Red Rock Energy Inc. ("Red Rock") for total consideration of \$975,000 comprised of \$75,000 in cash and the remaining \$900,000 in either cash or 5,000,000 common shares of Red Rock. On June 11, 2009, SRI announced the closing of the Sale with the Company receiving 5,000,000 common shares of Red Rock having a deemed value of \$900,000 (or \$0.18 per share). The Company has classified this investment as available-for-sale and has marked-to-market the investment at December 31, 2009 (*note 11*).

1. Going concern

These audited consolidated 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. Accordingly, it does 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 Interim Financial Statements.

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 these Financial Statements.

The reader is also directed to review *Note 6 Financial Risk Factors – Liquidity Risk*.

2. 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.

Strategic Resources Inc.
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Principles of consolidation

These Financial Statements include the accounts of Strategic Resources Inc. and its wholly-owned legal subsidiary, Red Basin LLC. ("Red Basin"), a United States limited liability company based in the state of New Mexico. Red Basin was formed on January 29, 2009.

Use of estimates

The preparation of Financial Statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the Financial Statements and the reported amount of income and expenses during the period. Actual results could differ from those estimates. Accounts specifically affected by estimates in these financial statements are mineral properties and deferred expenditures, investments, assets held for sale and stock based compensation.

Revenue recognition

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

Income taxes

SRI follows the asset and 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 and related deferred costs

SRI defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because of continuation is not economically feasible, the mineral properties and the related deferred exploration costs are written off. Option payments received are applied against the mineral property or deferred exploration costs.

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.

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.

Strategic Resources Inc.
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Notes to the Audited Consolidated Financial Statements

Years ended December 31, 2009 and 2008

Foreign currency translation

The Company's foreign operations are integrated and are included in these Financial Statements on the basis that monetary assets and liabilities are translated at the period end rate of exchange, non-monetary assets and liabilities are translated at historical rates, and revenues and expenses are translated at the exchange rate in effect at the time the revenues are earned or the expenses are incurred. Exchange gains and losses arising on the translation of monetary items are included in income and loss from operations.

Loss per share

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the year. 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.

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 factors used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2009 and 2008.

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

	2009	2008
Dividend Yield	-	-
Expected volatility	186.6%	N/A
Risk-free interest rate	2.69%	N/A
Expected life (years)	4.5	N/A

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 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, 2009, the Company did not have projects under development and therefore there is no legal obligation requiring remediation.

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Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

Financial instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Effective January 1, 2009, SRI adopted the amendment to CICA Handbook 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- iii) Level 3: inputs for the asset or liability that are not based on observable market data.

Comprehensive loss

Section 1530 requires that an entity temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Impairment of long-lived assets

SRI reviews mineral properties and deferred costs for impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts.

Account reclassifications

Certain prior year amounts have been reclassified to conform to account presentation in the current year. The net loss stated in prior year has not been affected by these changes.

3. Newly-adopted accounting changes

Goodwill and intangible assets

As at December 31, 2009, the Company adopted *CICA 3064 - Goodwill and Intangible Assets* (Section 3064). Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets*,

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and Section 3450, *Research and Development Costs*, provides clarifying guidance on the criteria that must be satisfied in order for an intangible asset to be recognized, including internally developed intangible assets. The CICA's Emerging Issues Committee (EIC) Abstract No. 27, *Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Section 3064 has been adopted. There has been no effect on the Company's Financial Statements as a result of adopting Section 3064.

Going concern

On January 1, 2009 the Company adopted *Section 1400 - General standards of financial statement presentation*, and it has since been amended to include going concern requirements. The amendments require management to make an assessment of the Company's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The Company's disclosures in *note 1* reflect such assessments.

4. Future accounting changes

International financial reporting standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a 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 and continues to monitor the deliberations and progress on plans to converge by accounting standard setting bodies and regulators in Canada, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business combinations

In January 2009, the CICA issued *Handbook Section 1582 - Business combinations* which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Non-controlling interests

In January 2009, the CICA issued *Handbook Section 1602 - Non-controlling interests* which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial

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statements. This standard is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Consolidated financial statements

In January 2009, the CICA issued *Handbook Section 1601 - Consolidated financial statements* which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements

5. Capital management

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 realization of assets held for sale, 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 quarter ended December 31, 2009. The Company is not subject to externally imposed capital restrictions.

6. Financial risk factors

Fair value

The Company has, designated its cash as held-for-trading, which are measured at fair value. The investments have been classified for accounting purposes as available-for-sale, which are measured at fair value. GST recoverable is classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of GST recoverable and accounts payable and accrued liabilities are determined from transaction values which were derived from observable market inputs. Fair values of the investments are based on Level 1 measurements and the remaining financial instruments are based on Level 2 measurements.

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As at December 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

- a. **Cash and cash equivalents** – Cash and cash equivalents are held with a major Canadian bank and therefore the risk of loss is minimal.
- b. **GST recoverable** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.
- c. **Accounts receivable and prepaids** – The Company is not exposed to credit risk for these amounts as this amount is on deposit with the United States government.

ii) Liquidity risk

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, 2009, the Company had a working capital balance of \$785,956 (2008 – \$806,390). As such, management believes that the Company has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. However, in order to meet its longer-term working capital and property exploration expenditures, 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.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. 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 short-term guaranteed investment certificates, as appropriate.

b. 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

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believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

c. Price risk

The Company holds the common shares of a TSXV-traded company. The Company has classified this investment as held-for-sale and such common shares are subject to stock market volatility. The value of these financial instruments fluctuate on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

7. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

- i. The Company's funds are kept in Canadian and US dollars a major Canadian financial institution.

As at December 31, 2009, the Company's exposure to foreign currency balances is as follows:

Account	Foreign Currency	Exposure (\$CDN)
Cash and cash equivalents	US dollar	15,971
Mineral properties and deferred expenditures	US dollar	15,381

A change in the interest rate of 1% would not cause a significant change in the Company's expected interest income for the year.

The Company believes that a change of 10% in foreign exchange rates would not have a significant impact on the income statement.

- ii. The Company's investments are subject to fair value fluctuations. As at December 31, 2009, if the fair value of investments had decreased/increased by 50% with all other variables held constant, net comprehensive loss for the year ended December 31, 2009 would have been approximately \$250,000 higher/lower. Similarly, as at December 31, 2009, reported shareholders' equity would have been approximately \$250,000 lower/higher as a result of a 50% decrease/increase in the fair value of investments.

8. Cash and cash equivalents

The balance at December 31, 2009, consists of \$512,367 (2008 - \$658,100) on deposit with a major Canadian bank.

9. Restricted cash

In 2008, the Company 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

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the required work expenditures have been made on the properties in question and those properties formed part of the Sale properties, these costs were written off as part of the Sale.

10. Assets held for sale

The Company completed the Sale (*General Note*) pursuant to which, a majority of its Saskatchewan properties were sold. As such, the Company has curtailed virtually all exploration in the area and is exploring any opportunity or offers for the purchase of its remaining exploration assets and has categorized them as assets held for sale.

11. Investments

The investments consist of 5,000,000 (2008 – nil) common shares of Red Rock Energy Inc. (“Red Rock”), a company traded on the TSX Venture Exchange (“TSXV”) and were measured at the value stipulated in the purchase and sale agreement (\$0.18 per share) on the day of receipt. The Company has identified these investments as available-for-sale and has measured their fair value at December 31, 2009, based on the last available closing price of the securities on the TSXV on December 31, 2009. As such, the Company has estimated a fair value per share of \$0.10, resulting in a decrease of \$400,000 (2008 - \$Nil) in these investments and an increase in accumulated other comprehensive loss of \$400,000 (2008 - \$Nil) offset by future income expense of \$50,000 (2008 - \$Nil) that has been included in the current period’s net loss.

12. Mineral properties and deferred expenditures

December 31, 2009					
	Opening Balance	Additions	Sale	Write-downs	Net
	\$	\$	\$	\$	\$
New Mexico	99,507	193,672	-	-	293,179
Red Basin/Coyote Ranch	-	36,179	-	(36,179)	-
Contact Lake	134,423	-	(134,423)	-	-
Inspiration Lake	39,278	-	(39,278)	-	-
Fishhook	120,161	2,517	(113,247)	(9,431)	-
Eldorado Lake	483,579	-	(483,579)	-	-
Gunner Area	22,276	-	(22,276)	-	-
Virgin Adit	30,642	1,500	(30,642)	(1,500)	-
Eagle Lake	91,379	-	(91,379)	-	-
Neely Lake	95,793	-	-	(95,793)	-
McIntosh Bay	89,689	-	-	(89,689)	-
Silica Sand	53,263	28,717	(60,176)	(15,564)	6,240
	1,259,990	262,585	(975,000)	(248,156)	299,419

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During the year, amortization expense of \$32,196 (2008 - \$64,417) and \$52,500 (2008 - \$67,500) of acquisition costs satisfied by the issuance of common shares (*note 15*) is included in the additions to mineral properties and deferred expenditures.

December 31, 2008					
	Opening Balance	Additions	Transferred to Assets held for sale	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	-	(1,125,473)	120,161
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)	(606,022)	53,263
	7,885,485	4,547,539	(256,500)	(10,916,534)	1,259,990

The Company has the following commitments regarding its properties:

	Year	New Mexico	Total
Shares	2010	1,000,000 ¹	1,000,000
Work expenditures (\$US)	2010	200,000	200,000
Work expenditures (\$US)	2011	200,000	200,000
		400,000	400,000

¹ Payment of US\$200,000 may be made instead of share issuance.

13. Related party transactions

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.

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	2009	2008
Transactions during the year:	\$	\$
Exploration expenditures	60,000	120,497
Consulting fees	50,700	157,475
Administrative costs	-	20,392
Management fees	60,000	214,723
Due (to) from related parties:	\$	\$
Accounts receivable and prepaid expenses	-	7,468

As at December 31, 2008, GLR (a former related party by way of common directors and officers) owed SRI a total of \$68,546. This amount has been completely provided for and an allowance of \$68,546 has been recorded as the Company anticipates that these funds will not be recovered.

14. Property and equipment

Property and equipment at December 31, 2009 is comprised of the following:

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	-	-	7,800	-
Exploration equipment	28,723	13,192	472,139	89,453
Equipment	101,151	50,595	374,240	131,208
Furniture and fixtures	-	-	1,267	748
Buildings	-	-	97,567	4,812
	129,874	63,787	953,013	226,221
Net Book Value	66,087		726,792	

15. 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:

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	Number of Shares	\$
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
Issued for property	1,500,000	52,500
Balance at December 31, 2009	53,994,132	8,715,376

2009

The Company issued 1,000,000 shares valued at \$40,000 as an option payment regarding its New Mexico property and 500,000 shares valued at \$12,500 as an option payment regarding its Red Basin/Coyote ranch property.

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 \$40,731 that was originally charged to capital stock was reversed.

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

Outstanding Issued Warrants

As at December 31, 2009, the Company has no outstanding warrants.

On May 25, 2009, the following Company securities expired:

- 12,385,829 warrants with an exercise price of \$1.25;
- 1,114,724 agents' warrants with an exercise price of \$1.25; and
- 1,114,724 agents' warrants with an exercise price of \$0.49.

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, 2009 the Company had 2,549,413 (2008 – 3,164,413) options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

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	2009		2008	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
	\$		\$	
Outstanding at beginning of year	0.44	2,085,000	0.46	4,035,000
Transactions during the year:				
Granted ¹	0.10	2,850,000	-	-
Exercised	-	-	-	-
Forfeited	0.45	(1,360,000)	0.48	(1,950,000)
Expired	0.40	(725,000)	-	-
Outstanding at December 31	0.10	2,850,000	0.44	2,085,000

¹ On August 18, 2009, the Company received approval to cancel 725,000 (2008 – Nil) options issued to officers and directors of the Company and re-issue the same number of options with the same expiry date but with amended exercise prices. On September 23, 2009, the Company cancelled and re-issued those options. The weighted-average fair value of those amended options issued during the three months ended September 30, 2009 was \$0.02 per option (2008 - \$Nil per option) resulting in a total fair value of amended options issued of \$14,500 (2009 - \$Nil). The fair value of the options cancelled was \$11,500 (2008 - \$Nil) and the additional stock-based compensation recorded regarding the amended options was \$3,000 (2008 - \$Nil). On July 29, 2009, the Company issued 875,000 new options with a weighted average fair value of \$0.02 (2008 - \$Nil per option) for a total weighted average fair value of \$17,500 (2008 - \$Nil). These options were issued with exercise prices higher than the market price of the Company's common shares on the day prior to their issuances. On November 6, 2009 the Company issued 1,250,000 new options with a weighted average fair value of \$0.04 (2008 - \$Nil per option) for a total weighted average fair value of \$50,000 (2008 - \$Nil). These options were issued with exercise prices higher than the market price of the Company's common shares on the day prior to their issuances.

The following table provides additional information about outstanding stock options at December 31, 2009:

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
\$0.10	2,850,000	4.1	0.10	2,850,000	0.10

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Stock-based compensation

The fair value of the stock options granted for the 12 months ended December 31, 2009 was \$70,500 (2008 – \$Nil), which amount has been expensed in the statement of operations. The calculated fair value on the grant-date of options averages approximately \$0.025 (2008 - \$Nil) per option.

Contributed surplus

A summary of the changes in the Company's contributed surplus for the years ended December 31, 2009 and 2008 is set out below:

	2009	2008
	Amount	Amount
	\$	\$
As at January 1,	5,749,732	5,749,732
Stock-based compensation	70,500	-
As at December 31,	5,820,232	5,749,732

16. 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:

	2009	2008
	\$	\$
Loss before income taxes	(864,710)	(11,714,327)
Combined Statutory rate	33.00%	33.50%
Estimated recovery of income taxes	(285,000)	(3,924,000)
Permanent differences	(21,000)	3,000
Change in valuation allowance	310,000	996,000
Difference between current and future tax rates	46,000	542,000
Future income tax expense (recovery)	<u>50,000</u>	<u>(2,383,000)</u>

The Canadian statutory income tax rate of 33% (2008 – 33.5%) is comprised of the federal income tax rate at approximately 18% (2008 – 19.5%) and the provincial income tax rate of approximately 14% (2008 – 14.0%). The US income tax rate is approximately 40% (2008 – 35%).

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$279,400 (2008 - \$580,000) and will be deductible in Canada over the next two years.

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As at December 31, 2009, the Company has \$3,008,000 (2008 - \$3,775,000) 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 \$1,530,000 (2008 - \$807,000) 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
2029	723,000
	1,530,000

Future income tax liability

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

	2009	2008
<i>Future tax asset:</i>	\$	\$
Mineral properties and deferred exploration	681,000	629,000
Operating losses carry forward	383,000	202,000
Other temporary differences	242,000	165,000
Less: valuation allowance	(1,306,000)	(996,000)
Ending balance	-	-
<i>Future tax liability:</i>		
Ending balance	-	-
<i>Future income tax asset (liability)</i>	-	-

17. Segmented information

SRI is in the business of mineral exploration and production in Canada and the USA. As such, management has organized the Company's reportable segments by geographic area. The USA segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities and is responsible for the Canadian mineral exploration and production activities. Information concerning SRI's reportable segments is as follows:

	2009		2008
Consolidated net loss			
Canada	\$ 914,710	\$	9,331,327
USA	-	-	-
	\$ 914,710	\$	9,331,327

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Identifiable assets			
Canada	\$	1,385,321	\$ 2,919,421
USA		293,179	99,507
	\$	1,678,500	\$ 3,018,928
Significant non-cash items			
Canada			
Write-down of mineral properties	\$	211,977	\$ 10,916,534
Stock-based compensation	\$	70,500	\$ -
USA			
Write-down of mineral properties	\$	36,179	\$ -

18. Subsequent events

In January 2010, the Company completed a brokered private placement for gross proceeds of \$140,000 through the sale of 2,800,000 units at \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one share at a price of \$0.10 until January 7, 2011.

In connection with the Offering, the company paid an aggregate cash finder's fee of \$800 and issued an aggregate of 16,000 finder's warrants. Each warrant entitles the holder thereof to purchase one share at a price of \$0.10 until January 7, 2010.