

Dear Shareholder,

2009 was marked with significant progress for Strategic Resources Inc. ("Strategic") but it also met with a certain amount of frustration on our uranium/vanadium joint venture project held with Running Fox Resources (USA) Inc. This project area in Catron County, New Mexico, was the subject of intense uranium exploration by Gulf Oil, Occidental Petroleum, Federal Resources, Anaconda Co. and others during the last uranium cycle which peaked in 1981. In early 2009, a Plan of Operations was submitted to the authorities at the US Forest Service in New Mexico for this project. A Minimal Impact Exploration Permit was also submitted to the State of New Mexico Mining and Minerals Division. Authorities at the State level took considerable interest in this project application and proceeded to complete their review obligations in an expedient manner. A different story, however, emerged at the US Forest Service which had not completed its review by year end. The Native American consultation meetings required under Section 106 of the Code of Federal Regulations also needed to be completed.

In September 2009, China announced to the world that it could not be expected to remain the world's largest single supplier of Rare Earth minerals. The State of New Mexico hosts a number of locations with documented occurrences of Rare Earth minerals. To diversify its project portfolio, Strategic quickly moved to acquire mineral claims in the Lemitar Mountains, the Jicarilla Mountains and the Gallinas Mountains of New Mexico. All three locations have been thoroughly studied over the past decades for their Rare Earth economic potential.

As I write this letter, we are now several months into 2010 and progress once again has started to unfold. The US Forest Service has now reviewed our Plan of Operations which is in its final stages. A Plan of Operations and a Minimal Impact Exploration Permit have been submitted for one select portion of our Rare Earth holdings in the Gallinas Mountains. A Notice of Intent submission has also been made for our Rare Earth project in the Lemitar Mountains. A significant amount of geological fieldwork including geophysics has been completed on the Rare Earth projects as well. These submissions have been well received and the balance of 2010 thus promises to be eventful.

From a fundamental perspective, the uranium sector appears to have found a bottom of sorts in 2009. Spot-price action during 2009 fluctuated between \$40/lb and \$55/lb. Long-term contract prices held between \$60/lb and \$70/lb.



The United States domestically produces only a small fraction of its annual uranium needs to power its 104 reactors and continues to rely on the Megatons to Megawatts program of Soviet era

missile dismantling, with this program set to wind up in 2013. Meanwhile, China and India continue to develop nuclear reactors at a rapid pace while at the same time continuing to forge strategic alliances around the globe to secure future sources of uranium. Add to this scenario the notion that, according to the Nuclear Energy Institute, a single 1000 MW reactor can generate enough power for 740,000 households. This same amount of power could likewise be generated from 13.7 million barrels of oil or 3.4 million tons of coal. These simple statistics profoundly underscore the importance of nuclear energy and lend credence to the notion that the coming years will be robust and eventful in the uranium sector.

The fundamentals for Rare Earth minerals remain even stronger. China currently supplies some 95% of the world's Rare Earth minerals. Since mid-2009, China has increased Government control over its Rare Earth industry, imposed production quotas, increased the enforcement of strict environmental standards on Rare Earth processing plants and has even removed the VAT rebate on exports of Rare Earth Oxides. The trend is thus very clear: The world can no longer depend on China for a continued supply of its Rare Earth minerals. Some estimates suggest that in the near future, China may reduce its exports so as to account for only 80% of global supply.

Rare Earth pricing is opaque to say the least. Prices vary significantly depending on the end use and purity requirements. The following set of price data\*, while by no means definitive for the entire industry, clearly shows that pressure on prices is to the upside.

<b>Rare Earth Oxide</b>	<b>2009 Average Price (US\$/kg)</b>	<b>2010 Average Price (US\$/kg)</b>
Lanthanum Oxide	4.88	7.50
Cerium Oxide	3.88	6.50
Neodymium Oxide	19.12	32.10
Praseodymium Oxide	18.03	32.20
Samarium Oxide	3.40	3.40
Dysprosium Oxide	115.67	193
Europium Oxide	492.92	533
Terbium Oxide	361.67	538

\* Source: Lynas Corporation of Australia

Despite some of the frustration experienced in 2009, Strategic remains well positioned for future success in sectors of the mineral exploration marketplace that are poised to be robust and eventful. I would like to thank the entire team at Strategic for their hard efforts during 2009. More importantly, I wish to express my sincere gratitude to all shareholders for their ongoing support.

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President & Chief Executive Officer

