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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-048908-152

S U P E R I O R C O U R T
Commercial Division
Designated tribunal under the Companies' Creditors Arrangement Act[1]

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE AND ARRANGEMENT OF STRATECO RESOURCES INC.
DEBTOR
- and -

ERNST & YOUNG INC.
MONITOR

TENTH REPORT OF THE MONITOR

January 18, 2017

INTRODUCTION AND PURPOSE

1. We, Ernst &Young Inc. ("EY" or "Monitor"), the monitor appointed by the Superior Court of the Province of Québec for the District of Montréal ("Court") in the matter of Strateco Resources Inc. ("Strateco" or the "Applicant") hereby report to the Court.

2. The purpose of this tenth report ("Report") is to provide this Court with information with respect to the following matters:

   a) The terms of reference and disclaimer for the Report;

   b) Provide an update on the Applicant's cash flow statements, namely:

      - actual cash flows from October 1, 2016 to December 31, 2016;
      - actual cumulative cash flows from January 18 to December 31, 2016; and,
      - the cash flow forecast from January 1, 2017 to October 31, 2017;

   c) the progress in the Matoush Litigation[2] proceedings;

   d) The proposed extension period to the stay of proceedings to October 31, 2017; and,

   e) Conclusions and recommendations.

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1 *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.
2 As defined in previous Monitor's reports.

TERMS OF REFERENCE

3. In preparing this Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by Strateco, discussions with management of Strateco ("Management") and information from other third-party sources (collectively, the "Information"). Except as otherwise described in this Report in respect of Strateco's cash flow statement:

   a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information; and,

   b) Some of the Information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

4. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

STRATECO'S CASH FLOW STATEMENT

6. Given the ongoing Matoush Litigation proceedings and the expiry of the current stay of proceedings on January 27, 2017, the Applicant has prepared the following information with the assistance of the Monitor:

   a) Actual to budget cash flow results for the period of October 1, 2016 to December 31, 2016 (the "Q4-2016 Actual to Budget Result"), attached as Exhibit 1 to this Report, which is produced under confidential seal.

      ¨ Actual to budget cash flow results for the periods ending March 31, June 30 and September 30, 2016 were previously reported separately to the Court by the Monitor;

   b) Actual to budget cumulative cash flow results for the period of January 18,

2016 to December 31, 2016 (the "2016 Actual to Budget Result"), attached as Exhibit 2 to this Report, which is also produced under confidential seal; and,

c) Updated cash flow projections (the "Cash Flow Statement"), for the period of January 1, 2017 to October 31, 2017 (the "Cash Flow Period"). A copy of the Cash Flow Statement is attached as Exhibit 3 to this Report, which is also produced under confidential seal.

7. Pursuant to paragraph 8 of this honorable Court's ruling of January 26, 2016 and section 23(1)(d)(ii) of the CCAA, the Monitor reports herein its findings with respect to the Company's actual cash flow results:

a) for the quarter ended December 31, 2016 ("Q4-2016"); and,

b) for the 50-week period from January 18 to December 31, 2016, representing the expired period of the Company's cash flow projections filed with the Monitor's 6th Report filed with the court on January 21, 2016.

Actual to Budgeted cash flows

8. Since the date of the CCAA filing, the Monitor has monitored the Applicant's Actual to Budget Results of operations, including:

a) reviewing cash collections; and,

b) reviewing supplier payments to ensure that they comply with the provisions of the Second Amended and Restated Initial Order rendered by this honorable Court on October 23, 2015.

9. The Q4-2016 Actual to Budget Results (see attached Exhibit 1) yielded various favourable and unfavourable differences in both receipts and disbursements over budgeted amounts for a net unfavourable variance of $13,000 for the period, such variance being principally attributable to Matoush litigation preparation costs.

10. The 2016 Actual to Budget Results (see attached Exhibit 2) for the aggregate and expired 50-week cash flow projection period included in the Monitor 6th Report, also yielded various favourable and unfavourable differences in both receipts and disbursements over budgeted amounts, for a net unfavourable variance of $54,000, such variance also being principally attributable to Matoush litigation preparation costs.

11. The Monitor is of the view that such variances are reasonable and immaterial in the context of the current proceedings, and were submitted to the DIP Lender every second week through a systematic reporting process whereby the DIP Lender was provided with actual to budget cash flow results for the prior two weeks, and with updated detailed 13 week cash flow projections.

12. Such cash flow variances did not have a materially adverse effect on the Applicant's financial position, in the context of the overall financial terms of the DIP Facility secured with its DIP Lender to finance the Matoush Litigation. Furthermore, the Applicant is operating materially in line with its operating budget as periodically updated and submitted to the DIP Lender.

13. In addition, such disbursements were approved by its DIP Lender on an ongoing basis.

14. The Monitor will continue its monitoring procedures and will report to the Court with respect thereto on a quarterly basis as required under the CCAA, or sooner if there is a material adverse change in Strateco's operations or in the Matoush Litigation proceedings.

15. In addition, the Monitor continues to review all Strateco disbursements on a weekly basis and Strateco continues to report to the Monitor and the DIP Lender on a bi-weekly basis. Deviations from the Cash Flow Statement are promptly addressed by the Monitor. Should a material discrepancy or issue be identified by the Monitor, the Monitor will swiftly address the issue with Strateco, legal counsel and the DIP Lender, and if no resolution is found, the Monitor will seek directions from this Court.

Revised Projected Cash Flows

16. The Cash Flow Statement for the period of January 1, 2017 to October 31, 2017 is presented on a monthly basis during the Cash Flow Period and represents Management's estimates of the projected cash flow during such period. The Cash Flow Statement has been prepared by Strateco's Management, using probable and hypothetical assumptions set out in notes to the Cash Flow Statement (the "Probable and Hypothetical Assumptions" or the "Assumptions"). It is attached as Exhibit 3 to this Report, under confidential seal.

17. The attached revised projected cash flows do not present any projected receipts and disbursements for January 1, 2017 nor for the period of October 28 to 31, 2017, as these are either week-end days (January 1, October 28 and October 29) or represent days when no cash activity is projected as disbursements are typically made at the end of the week. Accordingly, these projections are intended to cover the period of January 1 to October 31, 2017.

18. This Cash Flow Statement assumes the continued financial support of the DIP Lender, as per the DIP financing approved by this honourable Court on October 23, 2015.

19. The Monitor has reviewed the Cash Flow Statement as to its reasonableness as required by Section 23(1)(b) of the CCAA.

20. Pursuant to this standard, the Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussion related to information supplied to it by certain key members of Management and

employees of Strateco. Since the Probable and Hypothetical Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Statement.

21. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

    a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;

    b) As at the date of this Report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of Strateco or do not provide a reasonable basis for the Cash Flow Statement, given the Probable and Hypothetical Assumptions; or,

    c) The Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

22. The Court will note that the Cash Flow Statement prepared by the Applicant provides for consistent and predictable payments throughout the Cash Flow Statement period due to the predictable nature of such ongoing payments which are principally represented by:

    a) Strateco's ongoing administration costs, including management support to the Matoush Litigation as well as financial reporting functions, including to report to this Honorable Court and to the DIP Lender;

    b) the Matoush Litigation legal counsel's agreed upon payments; and,

    c) the payment of professionals currently involved in these CCAA proceedings, including the Monitor, its legal counsel and the Applicant's CCAA counsel.

23. Notwithstanding the Applicant seeking a 9-month extension to its CCAA stay of proceedings to October 31, 2017, the Monitor will continue to report quarterly to this honourable Court as required under paragraph 23) 1) d) (ii) of the CCAA.

24. In addition, Strateco continues to report to the Monitor and the DIP Lender on a bi-weekly basis. Any deviation from the Cash Flow Statement will be promptly addressed. Should a material discrepancy or issue be identified by the Monitor, the Monitor will swiftly address the issue with Strateco, legal counsel and the DIP Lender, and if no resolution is found, the Monitor will seek directions from this Court.

PROGRESS IN THE MATOUSH LITIGATION PROCEEDINGS

25. Since the last Monitor's report to the Court and as of the date of this Report, the following events and developments in the matter of the Matoush Litigation have occurred, the whole in accordance with the timetable that had been agreed upon by the parties, namely:

    a) The court hearings on the matter opposing Strateco Resources Inc. and the Solicitor General of the province of Québec began on Monday January 9, 2017 at the Quebec City courthouse under the supervision of judge Denis Jacques j.c.s.. The hearings are scheduled for 25 days and should be completed by March 3rd, 2017.

26. Strateco continues to deploy all necessary efforts to proceed with the Matoush Litigation promptly.

27. Given the projected timetable to proceed to trial in the Matoush Litigation, the predictability of the cash flows over the proposed extended stay period, and the possibility for the Monitor or the Applicant to apply to this Court before the expiry of the stay of proceedings should the need arise to resolve any potential issue, the Monitor is of the view that an extension of the stay of proceedings to October 31, 2017 is reasonable.

EXTENDED STAY OF PROCEEDINGS

28. The current stay of proceedings is scheduled to expire on January 27, 2017. The Monitor notes that in light of this proposed motion, the cash flow projections could allow for the stay to be extended until October 31, 2017, considering the DIP lending facility in place.

29. Accordingly, the Monitor supports the extension of the stay until October 31, 2017.

CONCLUSION AND RECOMMENDATIONS

30. The Monitor believes that the Applicant has acted and is continuing to act in good faith and with due diligence.

31. Strateco should be granted the benefit of an extended stay of proceedings under the CCAA so as to allow it to continue the Matoush Litigation, which at this time represents its principal asset available to fund and file a plan of arrangement in the best interest of all stakeholders. Such an extended stay of proceedings would not be prejudicial to the creditors of the Applicant.

32. The Monitor is of the opinion that the documents in Exhibits 1, 2 and 3 should be filed under seal in order to ensure a level playing field between the litigants in the Matoush Litigation.

All of which is respectfully submitted this 18th day of January 2017.

ERNST & YOUNG INC.,

in its capacity as the Court appointed Monitor of
Strateco Resources Inc.

Per:

Michel Marleau, CPA, CA, CIRP, LIT
Senior Vice President

Exhibit 1

(Confidential – under seal)

Exhibit 2

(Confidential – under seal)

Exhibit 3

(Confidential – under seal)