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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

ELEVENTH REPORT OF THE MONITOR
May 10, 2017

INTRODUCTION AND PURPOSE

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

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

   a) Actual cash flow results in comparison to budget from January 1 to March 31, 2017;

   b) Update on the Matoush Litigation; and.

   c) Strateco's claim against the Agence du Revenu du Québec (the "ARQ") for the reimbursement of uncontested tax credits accrued since the issuance of the stay of proceedings under the CCAA.

3. All terms beginning with a capital letter not defined in the present Report shall have the meaning ascribed in the Monitor's reports filed in the present matter.

TERMS OF REFERENCE

4. 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 (the "Management") and information from other third-party sources (collectively, the "Information"). Except as otherwise described

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[1] *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

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.

5. 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.

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

STRATECO'S CASH FLOW STATEMENT

7. Pursuant to paragraph 8 of this honorable Court's Order of January 20, 2017 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 for the quarter ended March 31, 2017 ("Q1-2017").

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. Actual to Budget Results yielded various favourable and unfavourable differences in both receipts and disbursements over budgeted amounts for Q1-

2017, for net favourable cash variance in excess of $12,000 for Q1-2017. Various individual variances were justified and deemed 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 is provided with actual to budget cash flow results for the prior two weeks, and with updated 13 week cash flow projections.

10. Such individual 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. Furthermore, the Applicant is operating materially in line with its operating budget as periodically updated and submitted to the DIP Lender.

11. Overall, actual to budget results for the period of January 1 to March 31, 2017 yielded an overall $12,000 favorable variance compared to the corresponding cash flow projections filed with this honorable Court in the Monitor's 10th report dated January 18, 2017, (which cash flow projections were filed under confidential seal with the Court).

    a) Professional fees incurred during the period were lower than budget by approximately $18,000, which more than offset unfavourable variances in cash receipts and other disbursement captions which unfavourable variances totalled approximately of $6,000 for the cash flow period.

    b) In addition, such variances are not material in the context of Strateco's overall financing facility secured with its DIP Lender to finance the Matoush Litigation, such disbursements having been approved by its DIP Lender on an ongoing basis.

12. Detailed actual to budgeted cash flow results have not been included in this report given:

    a) that there are no material variances to report to the Court, in the context of the Applicant's overall litigation budget and DIP financing;

    b) the sensitivity of such information in the context of the Matoush Litigation;

    c) that the cash flow projections referred to in this Report have already been provided to the Court; and,

    d) that filing such actual to budget detailed figures would require that a separate motion be filed seeking that such information be filed under seal.

13. Nonetheless, if the Court deems it necessary, the Monitor is available to provide this Court with additional information with respect to such Actual to Budget Results.

14. The Monitor will continue its monitoring procedures and will report to the Court with respect thereto on a quarterly basis as requested by this honorable Court in its ruling of January 20, 2017 and 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 the Court.

PROGRESS IN THE MATOUSH LITIGATION PROCEEDINGS

16. Since the Monitor's 10th report to the Court, the 6 week trial in the Matoush Litigation has concluded.

17. The trial was held from January 9 to February 24, 2017 and was presided over by the Honourable Denis Jacques, J.S.C., who has taken the matter under advisement.

STRATECO'S CLAIM AGAINST THE ARQ

18. On May 8, 2017, Strateco sent a demand letter to the ARQ seeking the reimbursement of $201,920.06 of uncontested credits for sales taxes accrued since the issuance of the stay of proceedings under the CCAA, and for which the ARQ has been performing compensation against pre-filing debts.

19. Strateco takes the position that the compensation of pre-filing debts with uncontested tax credits accrued since the issuance of a stay of proceedings under the CCAA is illegal.

20. Strateco has given the ARQ until May 18, 2017 to respond to this demand letter.

CONCLUSION

21. The current stay of proceedings is scheduled to expire on October 31, 2017.

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

23. Strateco has been granted the benefit of an extended stay of proceedings under the CCAA to October 31, 2017 so as to allow it to continue the Matoush Litigation and permit sufficient time for a Court ruling to be rendered thereon, including a 30 day appeal period, as this litigation represents the Applicant's principal asset available to fund and file a plan of arrangement, in the best interest of all stakeholders.

24. As of the date of this Report, Strateco has been operating materially within the cash flow projections filed with this honorable Court, and deviations therefrom have been immaterial in the context of the global financing agreement with the DIP Lender, and have been disclosed on an ongoing basis to the DIP Lender.

All of which is respectfully submitted this 10th day of May, 2017.

ERNST & YOUNG INC.,
in its capacity as the Court appointed Monitor of
Strateco Resources Inc.

Per:

Michel Marleau, CPA, CA, CIRP
Senior Vice President