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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

THIRTEENTH REPORT OF THE MONITOR

October 25, 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 thirteenth 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 July 1, 2017 to September 30, 2017;
      - actual cumulative cash flows from January 1 to September 30, 2017; and,
      - the cash flow forecast from October 1, 2017 to April 30, 2019;

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

   d) The proposed extension period to the stay of proceedings to April 30, 2019;

   e) The Monitor's reporting obligations to the Court under section 23(1)(d) of the CCAA; and,

   f) 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 October 31, 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 July 1, 2017 to September 30, 2017 (the "Q3-2017 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 quarters ending March 31 and June 30, 2017 were previously reported separately to the Court by the Monitor;

b) Actual to budget cumulative cash flow results for the period of January 1 to September 30, 2017 (the "Q1-Q3 2017 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 October 1, 2017 to April 30, 2019 (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 Applicant's actual cash flow results:

a) for Q3-2017 Actual to Budget Result; and,

b) for Q1-Q3 2017 Actual to Budget Result representing the expired period of the Applicant's cash flow projections submitted in the Monitor's 10th Report filed with the Court on January 18, 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. The Q3-2017 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 favourable variance of $32,000 for the period, such variance being principally attributable as follows:

Unforecasted sales tax recoveries	$29,000
Lower than forecasted labour administrative costs	$16,000
Greater than forecasted professional fees and litigation related costs	($13,000)
	$32,000

10. The Q1-Q3 2017 Actual to Budget Results (see attached Exhibit 2) for the aggregate and expired 9 month cash flow projection period included in the Monitor 10th Report, also yielded various favourable and unfavourable differences in both receipts and disbursements over budgeted amounts, for a net favourable variance of $232,000, such variance being principally attributable to the unforecasted sales tax refunds of $205,000 received in Q2-2017 as reported in the Monitor's 12th report to this Court. Overall, such aggregate variances being principally attributable as follows:

Unforecasted sales tax recoveries	$233,000
Lower than forecasted labour administrative costs	($11,000)
Greater than forecasted professional fees and litigation related costs	$10,000
	$232,000

11. As such overall variances are favourable, they have no adverse effect in the context of the current proceedings. Furthermore, the Applicant is operating materially in line with its operating budget as periodically updated and submitted to the DIP Lender.

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

13. In addition, the Monitor continues to review all of Strateco's disbursements. Furthermore, Strateco will report to the Monitor and the DIP Lender on a monthly basis going forward. 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.

Projected Cash Flows

14. The Cash Flow Statement prepared by the Applicant for the period of October 1, 2017 to April 30, 2019 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.

15. 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.

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

17. 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 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.

18. 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.

19. 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's 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 projected billings which are limited to disbursements exclusively based on the agreed upon fee structure negotiated between the parties; and,

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

20. In addition, given Strateco's reduced activities pending the Court of Appeal hearing, it will report to the Monitor and the DIP Lender on a monthly basis going forward, as agreed to with the DIP Lender, all of which the Monitor deems reasonable. Any deviation from the Cash Flow Statement is promptly addressed. Should a material discrepancy or issue be identified by the Monitor, it 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

21. As previously reported by the Monitor:

    a) The legal action in the Matoush matter was dismissed by the Quebec Superior Court by judgment rendered on June 21, 2017; and,

    b) On July 19, 2017, the Applicant filed a notice of appeal with the Quebec Court of Appeal.

22. On August 30, 2017, the parties in the said litigation participated in a case management conference presided by the honorable Julie Dutil, j.c.a. At such time, the Court approved the filing of joint appendices in electronic format and the parties confirmed that they would respect the delays under the *Quebec Code of Civil Procedures* for the filing of their motion material.

23. On October 19, 2017, Strateco filed its appeal brief and its common appendices with the Court of Appeal.

24. The timetable established on the motion to appeal calls for the Defendant filing its memorandum on December 19, 2017 at the latest, with the mise-en-cause (le Grand Conseil des Cris (Eeyou Istchee), le Gouvernement de la Nation Crie and the Nation Crie de Mistissini) filing its joint memoranda on February 19, 2018, at the latest.

25. Considering the projected timing for the Quebec Court Appeal to hear the parties' submissions, the Applicant expects that its hearing will likely be held in the beginning of 2019.

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

27. Given:

    a) The projected timetable for the filing of final appeal submissions by all parties;

    b) The usual delays to have the Applicant's appeal heard in the Matoush Litigation by the Court of Appeal;

c) The predictability of the cash flows over the proposed extended stay period; and,

d) 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 April 30, 2019, is reasonable in the circumstances of this case.

MONITOR REPORTING TO THE COURT UNDER THE CCAA

28. Since its appointment, the Monitor has reported to this Court the Applicant's actual cash flow results, compared to budgeted amounts, on a quarterly basis, as required under section 23(1)(d)(ii) of the CCAA.

29. In light of the Applicant's limited projected operations during the requested 18-month extended stay period, and the predictability of its cash flows over such period, the Applicant has proposed and the Monitor has agreed that the quarterly reporting required under the CCAA could be extended to being issued every six months as permitted under 23(1)(d)(iii) of the CCAA, subject to the Monitor advising the Court on any material adverse change being identified, the whole subject to this Court's approval.

EXTENDED STAY OF PROCEEDINGS

30. The current stay of proceedings is scheduled to expire on October 31, 2017. The Monitor notes that in light of the current proposed motion, the cash flow projections could allow for the stay to be extended until April 30, 2019, considering the DIP lending facility i7n place.

31. Accordingly, the Monitor supports the extension of the stay until April 30, 2019 and the Monitor's reporting to the Court under section 23(1)(d) being extended to reporting to the Court every 6 months only.

CONCLUSION AND RECOMMENDATIONS

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

33. Strateco should be granted the benefit of an extended stay of proceedings up to April 30, 2019 under the CCAA so as to allow it to continue the Matoush Litigation in the Quebec Court of Appeal, 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.

34. The Monitor should be authorized to report to this Court as to actual to budgeted cash flow results every 6 months hereinafter,

35. 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 25th day of October 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)