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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

SIXTH REPORT OF THE MONITOR
January 21, 2016

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 as follows.

2. The purpose of this 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 10, 2015 to January 15, 2016; and,
      - the cash flow forecast from January 16, 2016 to January 27, 2017;

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

   d) The proposed extension period to the stay of proceedings to January 27, 2017; and,

   e) Conclusions and recommendations.

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:

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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.

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 expiry of the current stay of proceedings on January 29, 2016, 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 10, 2015 to January 15, 2016 (the "Actual to Budget Result"), representing the expired period of the stay of proceedings period provided by the Court in the Order rendered October 23, 2015. A copy of the Actual to Budget Result is attached as Exhibit 1 to this Report under confidential seal; and,

   b) Updated cash flow projections (the "Cash Flow Statement"), for the period of January 16, 2016 to January 27, 2017 (the "Cash Flow Period"). A copy of the Cash Flow Statement is attached as Exhibit 2 to this Report, which is also produced under confidential seal.

Actual to Budgeted cash flows

7. 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.

8. Actual to Budget Results are provided in detail in Exhibit 1 for the period of October 10, 2015 to January 15, 2016, which is filed under confidential seal, consistent with

the corresponding cash flow projections which were also filed under confidential seal with the Monitor's Fifth Report to the Court.

9. The Monitor has observed no significant issues with any of the items set out in Exhibit 1, nor any of the corresponding variances to budget. The Monitor will continue its monitoring procedures and will report to the Court with respect thereto periodically, or upon the request of the Court.

10. Opening cash balance for the period was equal to budget and stood at $23,000 as of October 12, 2015.

11. Periodic unfavorable cash variances have been approved and funded by the DIP Lender[3], where needed, such that unfavorable cash flow variances have not had a materially adverse effect on the Applicant's financial position. Furthermore, the Debtor is operating in line with the operating budget agreed upon by the DIP Lender.

Revised Projected Cash Flows

12. The Cash Flow Statement for the period of January 16, 2016 to January 27, 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 2 to this Report, under confidential seal.

13. 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.

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

15. 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.

16. 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;

[3] On October 23, 2015, the Honourable Danielle Turcotte J.S.C. rendered the Second Amended and Restated Initial Order by which the Applicant is, among other, authorized to borrow, repay and reborrow from Third Eye Capital Corporation and certain lenders (collectively the "**DIP Lender**") a maximal principal amount of $4,000,000 (the "**DIP Financing**").

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.

17. The Court will note that the Cash Flow Statement prepared by the Applicant provides for consistent and predictable payments throughout the Cash Flow Statement due to the predictable nature of the 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.

18. Notwithstanding the Applicant seeking a 12 month extension to its CCAA stay of proceedings to January 27, 2017, the Monitor will continue to report quarterly to this Honourable Court as required under paragraph 23) 1) d) (ii) of the CCAA.

19. 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 the Court.

PROGRESS IN THE MATOUSH LITIGATION PROCEEDINGS

20. Since the last Monitor's report to the Court, 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 Applicant's representative, Mr. Guy Hebert, was examined at a discovery on October 26, 2015;

b) The Defendants communicated their undertakings pursuant to the discoveries conducted in September 2015;

c) The Applicant communicated the undertakings pursuant to Mr. Hebert's examination of October 26, 2015;

d) The examination of a representative of the intervening party, Mr. Isaac Voyageur, was conducted on November 30, 2015; and,

e) A case management conference was held on January 13, 2016 with the Honourable Denis Jacques, J.C.S., presiding.

21. With respect to the next steps in the Matoush Litigation, the request for setting down for trial and judgment is to be filed by March 16, 2016 at the latest, and a joint declaration as to the readiness to proceed is to be filed by all the parties by April 8, 2016.

22. It is currently expected that the Matoush Litigation will require a 35 day hearing in the months of January, February and March 2017.

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

24. Given the projected timetable to proceed to trial in the Matoush Litigation, the limited activities scheduled in the said litigation until early 2017, 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 January 27, 2017 is reasonable and warranted.

EXTENDED STAY OF PROCEEDINGS

25. The current stay of proceedings is scheduled to expire on January 29, 2016. The Monitor notes that in light of this proposed motion, the cash flow projections could allow for the stay to be extended until January 27, 2017, considering the DIP lending facility in place.

26. Accordingly, the Monitor supports the extension of the stay until January 27, 2017.

CONCLUSION AND RECOMMENDATIONS

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

28. 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.

29. The Monitor is of the opinion that the documents in Exhibit 1 and Exhibit 2 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 21st day of January 2016.

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

Per:

Michel Marleau, CPA, CA, CIRP
Senior Vice President

Exhibit 1

(Confidential – under seal)

Exhibit 2

(Confidential – under seal)