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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

SEVENTH REPORT OF THE MONITOR
April 14, 2016

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 to January 16 to March 31, 2016; and,

   b) Update on the Matoush Litigation.

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 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,

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

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 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 results for the quarter ended March 31, 2016.

8. As the Monitor has already reported Strateco's cash flow results for the period of January 1 to January 15, 2016 in its report dated January 21, 2016, actual results for this period have been excluded from the cash flow results analysis included this Report.

Actual to Budgeted cash flows

9. 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.

10. Actual to Budget Results yielded various differences in both receipts and disbursements over budgeted amounts for the period of January 16 to March 31, 2016. Such variances were 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 is provided with actual to budget cash flow results for the prior two week, and with updated 13 week cash flows projections.

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

12. Overall, actual to budget results for the period of January 16 to March 31, 2016 were materially consistent with the corresponding cash flow projections filed with this honorable Court in the Monitor's 6th report dated January 21, 2016, (which cash flow projections were filed under confidential seal with the Court), with the exception of a favourable cash variance which is essentially attributable to a timing difference in the payment of professional fees owing to IMK. Such fees are scheduled to be paid within five days of the date of this Report.

13. 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;

   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.

14. 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.

15. 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 26, 2016 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.

16. In addition, 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

17. 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 Defendant communicated its expert report on March 2, 2016 (re: the quantum of the damages claimed);

b) The Intervening party communicated its three expert reports namely:

- on February 4, 2016 (concerning the traplines system, traditional use of the land by the Crees, etc.);
- on March 14, 2016 (concerning social acceptability in Quebec); and,
- on March 31, 2016 (concerning methodologies for the assessment of risks associated with uranium and evaluation of public apprehension).

c) The parties filed a Joint Request for Setting Down for Trial and Judgment on April 8, 2016. Globally, the trial is expected to last 25 days and 26 witnesses have been announced.

d) In the previous five weeks, the parties have mutually communicated to the other their additional exhibits. As of April 8, 2016, the following exhibits have been communicated: P-1 to P-98, D-1 to D-42 and I-1 to I-98.

e) In upcoming weeks, the parties are scheduled to work on a list of admitted facts. They are also scheduled to work on a joint table of objections concerning exhibits that will be filed at the latest in June 2016.

f) The parties have already indicated to Justice Jacques j.s.c. that they would like a conference call to know the precise dates of the hearing within the next month. The parties are waiting to receive the confirmation of the identity of the judge who will hear the trial as well as the confirmation of the precise dates of trial.

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

CONCLUSION

19. The current stay of proceedings is scheduled to expire on January 27, 2017.

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

21. Strateco has been granted the benefit of an extended stay of proceedings under the CCAA to January 27, 2017 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.

22. As of the date of this Report, Strateco has been operating 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 provided to the DIP Lender.

All of which is respectfully submitted this 14th day of April 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