Ernst & Young Inc.
800, boul. René-Lévesque Ouest
Bureau 1900
Montréal (Québec) H3B 1X9

Tél./Tel: +1 514 875 6060
Téléc./Fax: +1 514 879 2600
ey.com

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

FIFTH REPORT OF THE MONITOR
October 16, 2015

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:

      - actual cash flows from September 26, 2015 to October 9, 2015; and,
      - the cash flow forecast from October 10, 2015 to January 29, 2016;

   c) The Applicant securing a DIP financing and the Monitor's analysis thereof;

   d) The proposed extension period to the stay of proceedings to January 29, 2016; 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.

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 process to secure and conclude a DIP financing agreement and the expiry date of the current stay of proceedings on October 21, 2015, the Applicant has prepared the following information with the assistance of the Monitor:

   a) Actual to budget cash flow results for the period of September 26 to October 9, 2015 (the "Actual to Budget Result"), representing the expired period of the stay of proceedings period provided by the Court in the Order rendered September 29, 2015. A copy of the Actual to Budget Result is attached as Exhibit 1 to this Report; and,

   b) Updated cash flow projections (the "Cash Flow Statement"), for the period of October 10, 2015 to January 29, 2016 (the "Cash Flow Period"). A copy of the Cash Flow Statement is attached as Exhibit 2 to this Report, which is 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 Amended and Restated Initial Order.

8. Actual to Budgeted Results are provided in detail in Exhibit 1 for the period of September 26, 2015 to October 9, 2015.

9. The Monitor has observed no significant issues with any of the items set out in Exhibit 1. 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 was equal to budget and stood at $36,000 as of September 26, 2015.

11. Cash inflows for the period were $3,000 compared to budgeted amounts of $6,000; the variance being unfavourable by $3,000 and is attributable to fewer shares having sold than had been forecast.

12. Cash outflows for the period were $16,000 compared to budgeted amounts of $15,000, for an unfavourable variance of $1,000, with the variance being immaterial.

13. Overall, the total cash flow variance for the period was unfavourable by $4,000, resulting in a closing cash balance at the end of the reported period of $23,000, as opposed to a budgeted closing balance of $27,000.

Revised Projected Cash Flows

14. The Cash Flow Statement for the period of October 10, 2015 to January 29, 2016 is presented on a weekly 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.

15. This Cash Flow Statement assumes the continued financial support of the DIP Lender, as per the proposed financing that forms the basis of the motion presented in conjunction with the Monitor's Fifth Report.

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 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.

18. Based on the Monitor's review, nothing has come to our 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 Strateco cash position at the commencement of the Cash Flow Period is estimated at approximately $23,000. The Strateco Cash Flow Statement estimates that during the Cash Flow Period, it will have total receipts of $15,000, excluding DIP financing funding of $1,430,000 and total disbursements of approximately $1,397,000 resulting in a closing cash balance of $71,000.

20. The Court will note that the Cash Flow Statement prepared by the Applicant provides for substantial payments in the early portion of the Cash Flow Statement due to the professional and other fees that were accrued and remained unpaid owing to the directors and officers of the Applicants and to professionals currently involved in these CCAA proceedings, including the Monitor, its legal counsel, the Applicant's CCAA counsel and the Applicant's litigation counsel.

21. These parties had agreed to defer such fees pending the successful completion of the DIP financing initiative. Accordingly, in light of the proposed DIP facility proposed by the Applicant, the DIP Lender has agreed to fund the payment of such fees and arrears as outlined in the Cash Flow Statement.

PROGRESS IN SECURING DIP FINANCING

22. In June 2015, the Applicant initiated a process seeking to secure debtor-in-possession ("DIP") financing in an amount sufficient to enable it to fund its operating and litigation related costs as it pursues the Matoush Litigation[2].

23. Since the issuance of the Initial Order, Strateco, with the assistance of EY, has worked diligently to identify and solicit potential sources of DIP financing.

24. In particular, during the course of this DIP solicitation process:

a) an information package was communicated to thirty-four (34) potential investors hailing from various backgrounds, including "traditional" DIP lenders, foreign firms who specialize in third-party litigation financing, as well as current creditors and equity holders of Strateco, including Toro Energy Partners Ltd;

b) Strateco executed a total of twelve (12) non-disclosure agreements with various parties who expressed interest in accessing more information about the Applicant in connection with a potential DIP financing;

c) In all, four non-binding offers were received from potential DIP lenders during the course of the DIP solicitation process; and,

d) While various discussions were held and varying levels of advancement were

[2] As defined in previous Monitor's reports.

achieved with such proposed lenders, none of these discussions and negotiations led to a firm engagement to provide DIP financing, with the exception of the financing transaction proposed herein.

25. As reported in the Monitor's Fourth Report, Strateco has signed a binding offer for DIP financing in the amount of $4 million with a prospective lender, to cover Strateco's liquidity needs including but not limited to the financing of the Matoush Litigation, the whole subject to the completion of certain limited due diligence items for which discussions ensued.

26. The proposed debtor-in-possession facility (the "DIP Facility") is offered by Third Eye Capital Corporation and Third Eye Capital Management Inc. (collectively "TEC" or the "DIP Lender").

27. Since the signing of this binding offer for the DIP Facility, the parties have worked diligently to complete the remaining due diligence items that had been identified in the binding offer, leading to the successful completion of the DIP financing facility subject to final legal documentation and closing.

28. One of the main conditions required to complete the parties' legal requirements is the approval by this Honourable Court of such DIP Facility.

Principal terms of the DIP Facility

29. The main features of the proposed DIP Facility can be summarized as follows:

a) A maximum DIP Facility amount of $4 million (the "Maximum Amount"), which will be disbursed in accordance with certain milestones.

b) The DIP Facility is to be reimbursed in full at the earliest of the following dates:

- 60 months from the date of the DIP Order;
- On the effective date of a plan of reorganization and liquidation;
- Upon the termination of the Legal Proceedings, consummation of the claim, receipt of the award or sale of all or substantially all of Strateco's assets including the Matoush Litigation claim; and,
- Such other date as the DIP Lender may agree in writing with Strateco.

c) Interest on the DIP Facility is to be calculated at an annual rate of 20% compounded monthly;

d) A closing fee representing 10% of the available DIP Facility is payable to the DIP Lender upon closing of the DIP Facility;

e) A success fee (the "Success Fee") is payable to the DIP Lender based on the gross value of the sums paid to Strateco following a settlement or a favourable judgment in the Matoush Litigation (the "Award");

f) The obligations under the DIP Facility to be secured by a first super priority charge of $55 million over Strateco's assets, plus an additional amount equivalent to 20% thereof, bearing interest on the Maximum Amount at 20% per annum (the

"DIP Charge"), subject only to the first senior tranche of the modified Administration Charge of $1 million as proposed by Strateco and as further outlined below;

g) The requirement for Court approval of the DIP Facility and related binding offers and the terms thereof;

h) The execution of mutually satisfactory loan documentation; and,

i) The conclusion of a specific fee arrangement between Strateco and IMK.

Monitor's analysis of the proposed DIP Facility terms

30. Having reviewed and analyzed the terms of the proposed DIP facility, the Monitor concludes as follows:

The amount of financing

31. Having participated with the Applicant in the development of its long term cash flow forecast extending to the year 2020, assuming extended legal proceedings and potential appeals, the Monitor is of the view that:

a) the need for financing up to the Maximum Amount of $4 million is warranted and reasonable; and,

b) that the milestone dates and maximum available financing at such milestone dates are also reasonable based on a timetable of likely milestone events provided by the Applicant's Litigation Counsel.

The interest rate

32. Having reviewed the financial terms of other non-binding financing offers received by the Applicant, the Monitor is of the view that the annual interest rate of 20% provided in the DIP Facility is similar to other interest rates quoted in the other non-binding offers.

The Success Fee

33. In order to effectively analyse and assess the Success Fee sought by the DIP Lender, the Monitor has compared it to what was sought under the other 3 non-binding offers previously referred to and compared them to the DIP Lender's Success Fee assuming various settlement dates ranging from December 31, 2015 to December 31, 2020, and assuming an increasing use of the DIP Facility and a larger Award amount throughout this period. This analysis is presented as Exhibit 3, which is produced under confidential seal.

a) All prospective DIP financing bidders had varying compensation structures, including management fees, multiples of cash advances and a percentage of the Award, as well as combinations thereof. Their combined compensation structures were compiled resulting in the said analysis.

b) This analysis has revealed that the various compensation structures proposed by the four bidders may result in each of them being the least or most expensive proposals depending on the level of advances and the timing and amount of the Award.

c) This analysis further shows that the proposed DIP Lender's compensation is typically not the highest nor the lowest compensation, with the exception of one of the 6 scenarios where it is the most expensive compensation structure by a 2% margin over the next highest compensation structure.

d) It is also important to note however that the other three offers used for benchmarking purposes are non-binding and that the proposed DIP Facility by TEC is the only option available at this time to Strateco.

34. Accordingly, and on the basis of this comparative analysis, the Monitor is of the view that the DIP Lender's compensation structure represents market value for this type of financing, given the corresponding levels of risk in pursuing a litigation such as the Matoush Litigation.

The DIP Charge

35. As to the DIP Lender's request for a super priority charge of $55 million plus 20%, the Monitor notes that two of the other bidders also requested a similar charge be provided to it for 100% of its Success Fee based compensation, including one foreign bidder, while the third other bidder from a foreign jurisdiction was silent on the topic. As discussions with this party remained preliminary, it is unknown whether this bidder would have sought a similar priority treatment had negotiations gone further, or had it consulted Canadian legal counsel in due course.

36. In addition, in order to assess the level of the requested DIP charge, the Monitor has analyzed various scenarios under which the super priority charge would be applicable and its impact on other creditors, secured and unsecured. The result of this analysis is shown at Exhibit 4, which is produced under confidential seal.

37. For the reasons exposed in Exhibit 4, the amounts to be secured by the DIP Charge will depend on the outcome of the Award. Therefore, should the Success Fee bring the amount owed to the DIP Lender to $55M, this would mean that all creditors could be paid at face value.

38. In addition, without the proposed DIP Facility, there would likely be little value available for creditors and shareholders as the Matoush Litigation represents the Applicant's principal asset, together with its mining rights in Northern Quebec.

39. Accordingly, the Monitor is of the view that the proposed DIP Facility is:

a) The only viable alternative in the current time constraints;

b) In line with other non-binding offers received by the Applicant during its solicitation process; and,

c) Sufficient to permit the Applicant to pursue the Matoush Litigation.

PROPOSED MODIFICATIONS TO THE ADMINISTRATON CHARGE

40. The Monitor notes that the conditions of the DIP Facility require that the Administration Charge previously established by this Court at $2 million be divided into two components, one of which would rank ahead of the DIP Charge for $1 million (the Senior Tranche"), while the residual portion of the Administration Charge of $1 million (the "Junior Tranche") would rank subsequent to the DIP Charge, but its rank would remain ahead to the Directors' Charge.

41. As all parties that benefit from this Administration Charge, namely Strateco's CCAA Legal Counsel, Litigation Counsel, the Monitor and its own legal counsel have agreed to this modification, the Monitor advises that affected parties are in agreement with such a proposed change.

42. Accordingly, the Monitor supports the proposed change to the Administration Charge.

THE IMK FEE STRUCTURE

43. The proposed DIP Facility further requires that a fee arrangement be negotiated between the Applicant and Litigation Counsel, namely IMK. As of the date of this Report, such an agreement has been reached whereby Litigation Counsel will be compensated based on a blended structure of:

    a) monthly fees, subject to a maximum amount (the "Base Fees"); and,

    b) A success based fee.

44. The Monitor notes that this arrangement and accommodation has been established at the request of the DIP Lender, in its efforts to minimize cash outlays, while providing Litigation Counsel with an adequate financial incentive.

45. While such an arrangement is not unusual, there are few publicly available comparatives to assess the reasonability of the proposed arrangement in the context of a DIP Facility.

46. Based on preliminary estimates of likely maximum legal fees that could be expended by Litigation Counsel and that had been disclosed, the Monitor is of the view that such fees will likely not affect creditor recoveries materially.

EXTENDED STAY OF PROCEEDINGS

47. The current stay of proceedings is scheduled to expire on October 21, 2015. The Monitor notes that in light of the proposed DIP Facility proposed herein, the cash flow projections could allow for the stay to be extended until January 29, 2016.

48. Accordingly, the Monitor supports the extension of the stay until January 29, 2016.

CONCLUSION AND RECOMMENDATIONS

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

50. The Monitor believes that the terms of the DIP Facility are in line with the current market and are appropriate in the matter at hand;

51. The Monitor further believes that the terms of the IMK fee arrangement will allow for the continuation of the Matoush Litigation while maintaining a risk sharing approach, resulting in deferred compensation to IMK, subject to the success of the litigation. Accordingly this fee arrangement should be approved by this Honourable Court.

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

All of which is respectfully submitted this 16th day of October 2015.

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

STRATECO RESOURCES INC.

Cash Flow Forecast 2015

Unaudited, in thousands of Canadian dollars

	Total	Sept. 28 - Oct.2	Oct. 5-9
Cash Inflows			
Selling - Shares	6	3	3
Selling - Others	0	0	0
Total Cash Inflows	6	3	3
Cash Outflows			
Administration - Personnel costs	6	6	0
Administration - Corporate and financial overheads	9	7	2
Qc. Gouv. Litigation - Professional fees	0	0	0
CCAA - Professional fees	0	0	0
Matoush project fees	0	0	0
Total Cash Outflows	15	13	2
NET CASH FLOW	-9	-10	1
Bank balance - beginning	36	36	26
Bank balance - ending before proposed financing	27	26	27

STRATECO RESOURCES INC.

Cash Flow Actual 2015

Unaudited, in thousands of Canadian dollars

	Total	Sept. 28 - Oct.2	Oct. 5-9
Cash Inflows			
Selling - Shares	3	0	3
Selling - Others	0	0	0
Total Cash Inflows	3	0	3
Cash Outflows			
Administration - Personnel costs	6	6	0
Administration - Corporate and financial overheads	8	7	1
Qc. Gouv. Litigation - Professional fees	0	0	0
CCAA - Professional fees	0	0	0
Matoush project fees	2	0	2
Total Cash Outflows	16	13	3
NET CASH FLOW	-13	-13	0
Bank balance - beginning	36	36	23
Bank balance - ending before proposed financing	23	23	23

STRATECO RESOURCES INC.

Cash Flow Variance 2015

Unaudited, in thousands of Canadian dollars

	Total	Sept. 28 - Oct.2	Oct. 5-9
Cash Inflows			
Selling - Shares	-3	-3	0
Selling - Others	0	0	0
Total Cash Inflows	-3	-3	0
Cash Outflows			
Administration - Personnel costs	0	0	0
Administration - Corporate and financial overheads	1	0	1
Qc. Gouv. Litigation - Professional fees	0	0	0
CCAA - Professional fees	0	0	0
Matoush project fees	-2	0	-2
Total Cash Outflows	-1	0	-1
NET CASH FLOW	-4	-3	-1
Bank balance - beginning	0	0	-3
Bank balance - ending before proposed financing	-4	-3	-4