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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

EIGHTH REPORT OF THE MONITOR
July 22, 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 April 1 to June 30, 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,

[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 June 30, 2016 ("Q2-2016").

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 Q2-2016. 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 weeks, and with updated 13 week cash flow projections.

10. 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.

11. Overall, actual to budget results for the period of April 1 to June 30, 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 have been paid as of the date of this Report.

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;

    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 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.

15. 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

16. Since the Monitor's seventh 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) On May 5, 2016, a Case Management Conference took place before Justice Denis Jacques, J.S.C., during which, he confirmed being the judge appointed to hear the case. The trial, scheduled for 25 days, is to take place over seven weeks, namely from January 9, 2017 to February 24, 2017. The trial is scheduled to be held pursuant to the following schedule: 5 days, 4 days, 5 days, a week off, 5 days, 4 days, 5 days. The week of February 27, 2017 was also reserved by the parties and the Court, if need be;

    b) A pre-trial conference with Justice Jacques will take place in December 2016; and

    c) The parties are currently working on a list of admitted facts and on a joint table of objections. Due to the summer vacations, these documents are to be completed in September 2016.

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

CONCLUSION

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

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

20. 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.

21. 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 disclosed to the DIP Lender.

All of which is respectfully submitted this 22nd day of July 2016.

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

Per:

Michel Marleau

Michel Marleau, CPA, CA, CIRP
Senior Vice President