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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

TWENTIETH REPORT OF THE MONITOR

December 17, 2020

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. On August 31, 2020, the Court extended Strateco's stay of proceedings, which was set to expire on August 31, 2020, for a further 4 months, to December 22, 2020, under the following circumstances:

   a) On June 21, 2017, the Superior Court of the Province of Québec for the District of Québec (the "**Superior Court, District of Québec**") in the Matoush litigation matter ("**Matoush Litigation**") issued an unfavourable judgment against Strateco.

   b) Strateco appealed this decision before the Québec Court of Appeal ("**QCA**") on June 10 and 11, 2019. On January 13, 2020, the QCA issued its judgment whereby Strateco's appeal was dismissed.

   c) On March 13, 2020, Strateco filed for leave to appeal to the Supreme Court of Canada ("**SCC**") along with its reasons.

3. On October 15, 2020, the SCC issued its judgment whereby the application for leave to appeal the Quebec Court of Appeal's ruling in case #200-09-009554-178 had been dismissed.

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

4. 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 for the period of July1, 2020 to December 13, 2020;

b) The Company's financial projections for the period of December 14, 2020 to April 30, 2021;

c) Update on the Matoush Litigation; and,

d) A sales and investment solicitation process ("**SISP**") initiated by the Company and Third Eye Capital Corporation (the "**DIP Lender**").

5. All terms beginning with a capital letter not defined in the present Report shall have the meaning ascribed in the previous Monitor's reports filed in the present matter.

TERMS OF REFERENCE

6. 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, 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.

7. 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.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Certain operating results have been rounded and accordingly may not add specifically, with such rounding impacts being immaterial for purposes of this report.

STRATECO'S CASH FLOW STATEMENT

9. Pursuant to paragraph 9 of this honorable Court's Order of April 29, 2019, renewed in its April 28, 2020 Order and in its August 31, 2020 Order, 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 for the five and a half months ended December 13, 2020.

10. Given the Matoush Litigation proceedings and other matters reported herein, and the expiry of the current stay of proceedings on December 22, 2020, 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 to December 13, 2020 (the "**July 1 to December 13, 2020 Actual to Budget Results**"), attached as Exhibit 1 to this Report; and,

    b) Additional cash flow projections (the "**Cash Flow Statement**"), for the period of December 14, 2020 to April 30, 2021 (the "**Cash Flow Period**"). A copy of the Cash Flow Statement is attached as Exhibit 2 to this Report.

Actual to Budgeted cash flows (July 1 to December 13, 2020)

11. 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.

12. Actual to Budget Results for July 1 to December 13, 2020 yielded differences in both receipts and disbursements compared to budgeted amounts, for a net favourable cash variance of $27,000, which is principally attributable to multiple favourable and unfavourable variances, none of which are material in the context of the current proceedings and whose funding was approved by the DIP Lender, as further described in this Report.

13. Overall, the Actual to Budget Results favourable variance of $27,000 for the period can be summarized as follows:

a) Cash receipts were unfavourable to budget and were lower than forecast amounts by $4,000; and,

b) Cash disbursements were favourable to budget and were lower than forecast by $31,000.

14. Individual disbursement variances for the period were as follows:

a) Personnel staff costs were higher than budget by $5,000;

b) Administration costs were lower than budget by $8,000;

c) Mergers and acquisition professional fees were lower than budget by $29,000;

d) Restructuring professional fees were higher than budget by $2,000; and,

e) Mining claims related cost were lower than budget by $1,000.

15. These overall favourable variances are not material in the context of Strateco's overall financing facility secured with its DIP Lender. Such disbursements and related variances have also been approved by its DIP Lender on an ongoing basis.

16. The Monitor will continue its monitoring procedures and will report to the Court with respect thereto every semester as requested by this honorable Court in its April 28, 2020 ruling and as required under the CCAA, or sooner if there is a material adverse change in Strateco's operations.

17. In addition, the Monitor continues to review all of Strateco disbursements as they occur and Strateco continues to report to the Monitor and the DIP Lender. 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.

Projected Cash Flows

18. The Cash Flow Statement prepared by the Applicant for the period of December 14, 2020 to April 30, 2021 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.

19. 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.

20. The Monitor has reviewed the Cash Flow Statement as to its reasonableness as

required by Section 23(1)(b) of the CCAA.

21. Pursuant to this standard, the Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions 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.

22. 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.

23. 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 financial reporting functions, including to report to this honorable Court and to the DIP Lender; and,

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

PROGRESS IN THE MATOUSH LITIGATION PROCEEDINGS

24. On June 21, 2017, the Superior Court, District of Québec issued its judgment whereby Strateco's damage claim totaling in excess of $192 million was dismissed. The Superior Court, District of Québec's judgment was posted on the Monitor's web site at www.ey.com/ca/strateco under the heading "Court Orders" and as such is available for consultation.

25. On June 27, 2017, Strateco issued a press release advising of its intent to appeal the Superior Court, District of Québec's ruling. On July 19, 2017, Strateco filed its notice of appeal with the QCA. Strateco's notice of appeal has also been posted on the Monitor's public website at www.ey.com/ca/strateco under the heading "Motion Material" and as such is available for consultation. The QCA hearing was held in Quebec City on June 10 and 11, 2019, at which time the QCA took the matter under advisement.

26. On January 13, 2020, the QCA issued its judgment whereby Strateco's appeal was dismissed.

27. On March 13, 2020, Strateco filed for leave to appeal to the Supreme Court of Canada along with its reasons thereof. On April 6, 2020, the SCC issued a letter to Strateco's legal counsel confirming reception of the filing and providing the SCC file number.

28. On October 15, 2020, the SCC issued its judgment whereby Strateco's application for leave to appeal the judgment from the Court of Appeal of Québec seeking to appeal had been dismissed

29. Accordingly, Strateco's Matoush litigation has been unsuccessful and the company has exhausted its recourse in respect thereto.

SALES AND INVESTMENT SOLICITATION PROCESS

30. In light of the Matoush Litigation being unsuccessful, the Company and its DIP Lender have initiated a SISP to solicit interest in the Company's uranium mining rights in Northern Quebec, related assets and documentation (environmental and geological reports, drilling samples, and basic infrastructure at the Matoush site), which rights are pledged as collateral for the financing provided by the DIP Lender.

31. This process was initiated in mid-November 2020 and is expected to take several months to complete. Given the Coronavirus pandemic and upcoming Christmas holidays, the DIP lender and Company are of the view that this process could extend to April 2021.

32. The SISP process is scheduled in typical fashion with the following steps being established (the "**SISP milestones**"):

a) Assemble a list of potential investors or acquirers to solicit with known interest or track records in investing in mining operations and/or rights;

b) Prepare a teaser and other such confidential SISP marketing materials as required including a Information Memorandum ("**CIM**") outlining the salient points of the mining rights for which interest is being solicited;

c) Communicate with identified potential investors to establish their interest in the said mining rights;

d) Establish an electronic data room to provide interested investors who have signed a confidentiality agreement with additional information on the investment opportunity; and,

e) Negotiate with interested parties to conclude a transaction.

33. The DIP Lender and Company are being supported by two investment banking firms to identify additional potential bidders.

34. If an acceptable offer is obtained, it is likely that the Company would seek for the transaction to be approved by this Court and to issue a vesting order.

35. The Monitor is to be advised periodically of the progress in the SISP process and has been updated periodically of progress since its initiation.

36. As of the date of this report, steps a) and b) of the SISP Milestones are well advanced and the Company and DIP Lender are currently communicating with interested parties.

37. Concurrently with the SISP process, the DIP Lender issued a 60-day notice of taking in payment under the Civil Code of Quebec on November 6, 2020 which notice is set to expire on or approximately on January 10, 2021.

MONITOR REPORTING TO THE COURT UNDER THE CCAA

38. Since its 13th Report, the Monitor has reported to this Court the Applicant's actual cash flow results, compared to budgeted amounts, every semester as required under section 23(1)(d)(ii) of the CCAA and as per the Court's rulings of October 27, 2017, April 29, 2019 and April 28, 2020. The Monitor proposes to continue such reporting frequency going forward unless the Monitor reports to this Court on other matters sooner.

EXTENDED STAY OF PROCEEDINGS

39. The current stay of proceedings is scheduled to expire on December 22, 2020. The Monitor notes that while the Matoush litigation, which was deemed to the Company's principal assets has been unsuccessful, the cash flow projections could allow for the stay to be extended until April 30, 2021, considering the DIP lending facility currently in place and DIP Lender support.

40. Given the unsuccessful Matoush litigation, the Company's mining rights represent the principal residual asset that could yield any proceeds for the benefit of unsecured creditors.

41. Accordingly and in order to allow the Company and DIP Lender to continue the SISP, the Monitor supports the extension of the stay until April 30, 2021 and the Monitor's reporting to the Court under section 23(1)(d) being extended to reporting to the Court every 6 months only, or upon issuing a report to the Court, if sooner.

CONCLUSION AND RECOMMENDATIONS

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

43. As of the date of this Report, Strateco has been operating materially within the cash flow projections filed with this honourable Court, and deviations therefrom have been immaterial in the context of the global financing agreement with the DIP Lender, and have been disclosed on an ongoing basis to the DIP Lender.

44. Strateco should be granted the benefit of an extended stay of proceedings up to April 30, 2021 under the CCAA to allow it to continue the SISP. The potential sale of the Company's mining rights represents the principal residual 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.

45. The Monitor should be authorized to continue to report to this Court as to actual to budgeted cash flow results every six months hereinafter.

All of which is respectfully submitted this 17th day of December 2020.

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

Strateco Budget to Actual results - July 1 to December 13, 2020

Cash Flow Projections - July 1st to December 13, 2020	
Unaudited, in Canadian dollars	
Cash Inflows	**Total**
Taxes	18,397
Others	0
Total Cash Inflows	18,397
Cash Outflows	
Administration - Personnel costs	25,427
Administration - Corporate and financial overheads	38,752
Qc. Gouv. Litigation - Professional fees	0
CCAA - Professional fees	14,947
EY M&A fees	28,744
Matoush project fees	6,094
Financial Cost	0
Total Cash Outflows	113,964
NET CASHFLOW	**-95,567**
Opening budgeted cash balance	
Bank balance - beginning	117,844
Bank balance - ending before financing	**22,277**
Financing	
DIP financing - TEC	30,000
Bank balance after the financing	**52,277**
Cumulative DIP financing - TEC	

Cash Flow Actual - July 1st to December 13, 2020	
Unaudited, in Canadian dollars	
Cash Inflows	**Total**
Taxes	8,464
Others	5,674
Total Cash Inflows	14,139
Cash Outflows	
Administration - Personnel costs	30,031
Administration - Corporate and financial overheads	30,804
Qc. Gouv. Litigation - Professional fees	0
CCAA - Professional fees	16,806
EY M&A fees	0
Matoush project fees	5,346
Financial Cost	0
Total Cash Outflows	82,988
NET CASHFLOW	**-68,849**
Bank balance - beginning	-7,052
Bank balance - ending before financing	**-75,901**
Financing	
DIP financing - TEC	80,000
Bank balance after the financing	**4,099**
Cumulative DIP financing - TEC	

Cash Flow Variance - July 1st to December 13, 2020	
Unaudited, in Canadian dollars	
Cash Inflows	**Total**
Taxes	-9,933
Others	5,674
Total Cash Inflows	-4,258
Cash Outflows	
Administration - Personnel costs	-4,605
Administration - Corporate and financial overheads	7,948
Qc. Gouv. Litigation - Professional fees	0
CCAA - Professional fees	-1,859
EY M&A fees	28,744
Matoush project fees	748
Financial Cost	0
Total Cash Outflows	30,976
NET CASHFLOW	**26,718**
Bank balance - beginning	-124,896
Bank balance - ending before financing	**-98,178**
Cash Flow Projections opening cash balance reset adjustment (note)	
Financing	
DIP financing - TEC	50,000
Bank balance after the financing	**-48,178**
Cumulative DIP financing - TEC	

Exhibit 2

Strateco cash flow projections - December 14, 2020 to April 30, 2021

STRATECO RESOURCES INC.	
Cash Flow Projections: Apr., 30 2021	
Unaudited, in Canadian dollars	
	TOTAL
Cash Inflows	
Taxes	$5,654.0
TEC Funding	$32,000.0
Total Cash Inflows	$37,654.0
Cash Outflows	
Administration - Personnel costs	$5,372.0
Administration - Corporate and financial overheads	$20,730.0
Qc. Gouv. Litigation - Professional fees	$0.0
CCAA - Professional fees	$25,285.0
EY M&A fees	$0.0
Matoush project fees	$4,615.0
Financial Cost	$0.0
Total Cash Outflows	$56,002.0
NET CASHFLOW	**($18,348.0)**
Opening budgeted cash balance	
Opening cash balance adjustment to actual	
Bank balance - beginning	$4,099.0
Bank balance - ending before financing	**($14,249.0)**
Cash Flow Projections opening cash balance reset adjustment (note)	
Funding	
TEC Funding (Direct)	$45,743.0
Bank balance after the financing	**$31,494.0**
Cumulative DIP financing / Funding - TEC	

PROBABLE AND HYPOTHETICAL ASSUMPTIONS TO THE PROJECTED STATEMENT OF CASH FLOW
For the period of December 14, 2020 to April 30, 2021

1. **Purpose:** The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations during the period of its stay of proceedings in virtue of the *Companies' Creditors Arrangement Act*, namely the period from December 14 , 2020 to April 30, 2021.

   The significant probable and hypothetical assumptions made in preparing the projected cash flow statement are presented hereunder.

2. **Receipts:**

   2.1 Projected receipts result essentially from the receipt of recoverable sales taxes on operating expenses and DIP Lender funding.

3. **Disbursements:**

   3.1 Wages: The projected wages and sub-contracted consultant costs are projected to be paid every two weeks;

   3.2 Fixed payment contracts: Rent payments are scheduled to be made on their due date.

   3.3 Professional fees: These are projected to be paid as issued by the various professionals;

   3.4 Other periodic suppliers are assumed to be paid on a COD basis;

   3.5 The cash flow projections do not reflect the payment of certain arrears and severance payments due to employees, nor a provision for amounts which will not become due during the projection period. Furthermore, no provision has been made in the projections for payments to creditors and employees from amounts owing prior to filing for protection under the CCAA.

Insolvent Person's Report on Cash-flow Forecast
(Section 10(2) of the *Companies' Creditors Arrangement Act*)

In the matter of the proposed plan of compromise and arrangement of SRATECO RESOURCES INC.

We, Strateco Resources Inc. **(**the **"Company")**, have developed the assumptions and prepared the attached statement of cash-flow forecast of the Company, as of the 14th of December 2020 2020, consisting of a statement of cash-flow forecast for the period of December 14, 2020 to April 30, 2021.

The probable and hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes accompanying the cash-flow forecast, and the probable and hypothetical assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the forecast. All such assumptions have been disclosed in Notes 1. to 3.

Since the forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The forecast has been prepared solely for the purpose described in the notes accompanying the statement of cash-flow forecast, using a set of probable and hypothetical assumptions set out in Notes 1. to 3. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 16th of December 2020.

STRATECO RESOURCES INC.

per: Marcel Bergeron, CPA, CA, Chief Financial Officer