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

TWENTY FIRST REPORT OF THE MONITOR
April 29, 2021

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 December 21, 2020, the Court extended Strateco's stay of proceedings, which was set to expire on December 22, 2020, for a further 4 months, to April 30, 2021, under the following circumstances:

   a) On June 21, 2017, the Superior Court of the Province of Québec for the 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.

   d) On October 15, 2020, the SCC issued its judgment whereby Strateco's application for leave to appeal the judgment from the QCA had been dismissed.

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

e) Accordingly, Strateco's Matoush Litigation had been unsuccessful and had exhausted its recourses in respect thereto.

f) In light the unsuccessful outcome of the Matoush Litigation, Third Eye Capital Corporation ("TEC") issued on November 16, 2020, a notice of taking in payment under the Civil Code of Quebec ("CCQ") which delays expired on or approximately on January 10, 2021, as more extensively outlined in the December 17, 2020 motion filed by Strateco.

g) The Applicant also sought in such December 17, 2020 motion a further extension of its stay of proceedings to April 30, 2021 to allow it to initiate a Sales and Investment Solicitation process (the "SISP") for all of Strateco's assets which essentially consist of all Matoush related assets, namely mining rights, related documents, primary infrastructure and drilling samples (the "SISP Assets"). This extended stay of proceedings to April 30, 2021 was granted by this Court on December 21, 2020.

3. Since the December 21, 2020 stay extension, operating costs have been minimal with TEC paying most costs directly from its own banking facilities, rather than funding Strateco's bank account to pay them.

4. On April 30, 2021, the following motions have been brought before this Court for consideration:

a) TEC has served a Motion for the Issuance of an Approval and Vesting Order ("AVO Motion");

b) Strateco has served a Motion to Terminate the Proceedings under the CCAA ("Termination Motion" and collectively with the AVO Motion, the "Sought Motions").

Contents of this Report

5. The Monitor reports herein on:

a) The SISP;

b) The SISP Indications of Interest;

c) TEC's proposed transaction;

d) TEC's motion seeking an Approval and Vesting Order ("AVO");

e) Proposed Applicant directors' release;

f) Release of the CCAA charges, discharge of the Monitor and termination of the CCAA proceedings;

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, including TEC (collectively, the "Information"). Except as otherwise described in this Report:

   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.

The SISP

9. The SISP was initiated by TEC in November 2020 with the support of Strateco and the Monitor. As part of such process:

   a) TEC established a list of potential acquirers for the SISP Assets on or near November 16, 2020 using its own network and industry knowledge. This list was provided to Strateco and EY for review for them to assess such list and provide TEC with additional industry players and potential acquirers to ensure adequate market coverage for the proposed SISP.

b) Concurrently, a confidential information memorandum ("CIM") was drafted by TEC with the assistance of Strateco on October 15, 2020, highlighting the salient points of the proposed investment opportunity. EY was provided the opportunity to review and comment on the draft CIM.

c) The Monitor was periodically apprised by TEC of the developments in the SISP, leading to the receipt and review of the indications of interest received by TEC and reported herein.

d) Nothing has come to the attention of the Monitor that would cause it to doubt the adequacy, integrity and outcome of the SISP conducted by TEC.

The SISP Intentions of Interest

10. As a result of such SISP, TEC received non-binding indications of interest subject to due diligence to acquire the SISP Assets, one of which TEC considers to be the highest and best indication of interest (the "Best IOI").

11. Further details with respect to this Best IOI are found in Appendix 1 under seal.

12. Based on the information available to the Monitor with respect to the SISP and Best IOI, the Monitor is of the view that there is no equity for Strateco's general unsecured creditors.

TEC's proposed transaction

13. Under the AVO Motion filed by TEC on April 25, 2021, TEC proposes to assign its security interest over all of the SISP Assets to a special purpose acquisition vehicle, namely 12942534 Canada Ltd, which subject to the AVO will become owner of all of the SISP Assets.

14. TEC is currently negotiating terms and conditions with respect to this Best IOI. In a second transaction to occur outside of the CCAA restructuring proceedings and assuming that the current negotiations are successful, TEC would sell the shares of 12942534 Canada Ltd. to the sponsor of the Best IOI.

Proposed Applicant directors' release

15. Given the proposed transfer of all Applicant assets to TEC/12942534 Canada Ltd under the proposed transaction, the Applicant also seeks as part of the

termination of these CCAA proceedings that the remaining directors of Strateco be provided a full release and indemnity from this Court.

16. Having assessed the Applicant's request, the Monitor notes:

a) That these CCAA proceedings were initiated in 2015;

b) That the Applicant has had no commercial operations since 2015 nor related revenues that should give rise to sales tax liabilities;

c) That the Applicant has had no employees or payroll operations since 2015;

d) That the Applicant has advised the Monitor that it has no undisclosed liabilities and has discharged its post-filing operating costs as they became due; and,

e) That the Monitor has not been advised of any undisclosed liabilities by any creditor since its appointment in 2015, nor does it have any reason to doubt the Applicant's representations.

17. On the basis of the above, the Monitor does not object to the Termination Motion seeking to obtain a full release and discharge in favour of its current directors.

<u>TEC's motion seeking an Approval and Vesting Order ("AVO");</u>

18. Given the unsuccessful Matoush Litigation and having exhausted all legal recourses related thereto, it appears inevitable that Strateco will be unable to file any plan of arrangement to its creditors.

19. Furthermore, since the end of the Matoush Litigation, TEC has advised that it will no longer fund Strateco's ongoing limited operations and related costs, including those of the CCAA proceedings.

20. As a result thereof, Strateco has no further options and must cease its operations.

21. TEC issued its 60-day notice of taking in payment, which notice has since expired, and all subsequent ranking secured creditors should have been advised thereof by the RPMRR registry office.

22. TEC initiated a SISP and has obtained non-binding intentions of interest for the SISP Assets, with one offer having been deemed the Best IOI by TEC.

23. In this respect, the TEC AVO seeks to:

a) transfer TEC's rights under the DIP facility and related security interest to a special purpose vehicle, namely 12942534 Canada Ltd; and,

b) thereafter work towards closing a transaction for the SISP Assets with such Best IOI or any third party with whom they may successfully come to terms.

24. The result from the sought AVO Motion is the same as a taking in payment procedure under the CCQ, or from a sale outside the normal course where a secured creditor acquires assets under a credit bid and assumes priority claims.

25. If subsequent ranking creditors seek to intervene therein, which has not yet occurred to this date, they will continue to have the opportunity to payout the TEC secured claim and to dispose of the SISP Assets as they see fit, up until such date as the Court has approved the AVO.

Release of the CCAA charges, discharge of the Monitor and termination of the CCAA proceedings

26. As part of the discussions between the Applicant, TEC and the Monitor, it has been agreed by the parties that the following steps would be concluded to terminate the CCAA proceedings and permit the release of the CCAA charges:

a) The fees of all professionals for the Monitor and Strateco would be paid by TEC up to and including accrued fees and fees to be incurred for the completion of the AVO, the issuance of the Monitor's Certificate (as described in the AVO Motion) and the providing for the bankruptcy of Strateco;

b) Upon completion of the AVO and receipt of the funds necessary to pay the above noted professional fees and operating costs of a net amount of $61,773, the Monitor would issue its certificate to the service list and the Court;

c) Upon issuing such certificate, the Monitor will be deemed to have been discharged and will publish a copy of the certificate on its website dedicated to these CCAA proceedings;

d) Immediately after the issuance of the Monitor's Certificate, the Applicant's directors would sign a resolution and file an assignment in bankruptcy of Strateco with Ernst & Young Inc.; and,

e) Immediately thereafter, the Applicant's directors would resign from their post.

CONCLUSION AND RECOMMENDATIONS

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

28. Having monitored and been periodically advised of the SISP, the Monitor has no reason to doubt that such process was executed diligently.

29. The Monitor supports TEC's AVO Motion for the transfer of its security interest to 12942534 Canada Ltd..

30. The Monitor supports the Termination Motion:

    a) granting the Strateco directors a full discharge and indemnity;

    b) terminating the CCAA proceedings and granting a concurrent discharge of the Monitor.

All of which is respectfully submitted this 29th day of April 2021.

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

Appendix 1
(under seal)

S U P E R I O R   C O U R T
Commercial Division
District of Montréal
File No.: 500-11-048908-152

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE AND ARRANGEMENT OF :

STRATECO RESOURCES INC.

Debtor

-and-

ERNST & YOUNG INC.

Monitor

TWENTY FIRST REPORT OF THE MONITOR

Amount: $
Nature:
Code:

ORIGINAL

Borden Ladner Gervais
B.M. 2545
1000, De La Gauchetière Street West
Suite 900
Montréal, QC, Canada H3B 5H4
Tel. 514.879.1212
Fax. 514.954.1905
mduchesne@blg.com

Mtre. Marc Duchesne
File: 246091-000108