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C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT. No.: 500-11-063053-231

S U P E R I O R C O U R T  
Commercial Division

**IN THE MATTER OF A PLAN OF  
ARRANGEMENT OR COMPROMISE OF:**

**11272420 CANADA INC.**

- and -

**STORNOWAY DIAMONDS (CANADA) INC.**

**Debtors**

- and -

**DELOITTE RESTRUCTURING INC.**

**Monitor**

**FIFTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR**  
*(Companies' Creditors Arrangement Act)*

**INTRODUCTION**

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
2. On October 27, 2023, 1127420 Canada Inc. ("**1127**") and Stornoway Diamonds (Canada) Inc. (collectively "**Stornoway**", the "**Company**" or the "**Debtors**") filed an *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and Ancillary Relief* (the "**Initial Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**"), before the Superior Court of Québec (the "**Court**") seeking the appointment of Deloitte Restructuring Inc. as the CCAA monitor in these proceedings (the "**Proposed Monitor**") and various other relief measures.

3. On October 26, 2023, Deloitte, then in its capacity as Proposed Monitor, filed its first report to the Court (the "**First Report**") as part of the Debtors' CCAA Proceedings (the "**CCAA Proceedings**"). The purpose of the First Report was to provide information to the Court with respect to i) Deloitte's qualification to act as monitor; ii) the business, financial affairs and financial results of Stornoway; iii) Stornoway's creditors; iv) the proposed sale and investment solicitation process; v) key employees retention program; vi) critical suppliers; vii) charges sought in the proposed "First Day Initial Order" and the Proposed "Initial Order"; viii) overview of the 4-week cash flow projections; and ix) the Proposed Monitor's conclusions and recommendations.
4. On October 27, 2023, the Court granted the Initial Application and rendered the First Day Initial Order and the SISP Approval Order which provided for, inter alia, i) a stay of proceedings against the Debtors until and including November 6, 2023 (the "**Stay Period**"); ii) a stay of proceedings against the Directors and Officers; iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); iv) authorization to pay critical suppliers, v) a General Administration Charge of \$500K, a Streamers Administration Charge on the Stream Encumbered Property, a D&O Charge of \$3.9M and a KERP Charge of \$480K, and vi) approval of the sale and investment solicitation process ("**SISP**").
5. On November 3, 2023, the Court rendered the Restated Initial Order which provided for an extension of the Stay Period to November 13, 2023, following its initial expiry on November 6, 2023.
6. On November 9, 2023, the Monitor filed its Second Report (the "**Second Report**"). The purpose of the Second Report was to provide information to the Court with respect to i) update regarding Stornoway's communications to stakeholders and operations ii) the Monitor's activities since the First Report iii) the SISP iv) payments to critical suppliers v) charges sought in the Proposed Initial Order vi) Key Employee Retention Program vii) environmental matters viii) cash flow results for the 2-week period ended October 29, 2023, ix) overview of the Cash Flow Projections, and x) request for an extension of the Stay Period until January 24, 2024.
7. On November 13, 2023, the Court rendered an Amended and Restated Initial Order. The Court also extended the Stay Period until January 25, 2024.
8. On January 19, 2024, the Debtors filed and Application for the Issuance of a Second Amended and Restated Initial Order and Ancillary Relief.
9. On January 22, 2024, the Monitor issued its Third Report (the "**Third Report**"). The purpose of the Third Report was to provide information to the Court with respect to i) update regarding Stornoway's communications and operations ii) the Monitor's activities since the Second Report iii) the SISP iv) payments to critical suppliers v) Environmental matters vi) cash flow results for the 10-week period ended January 7, 2024 vii) Overview of the Cash Flow Projections and authorization of certain payments to unaffected creditors viii) Key employee's retention program trust ix) Extension of the Stay Period, and x) The Monitor's conclusion and recommendations
10. On January 24, 2024, the Court rendered a Second Amended and Restated Initial Order ("**Second ARI**O"), which notably extended the Stay Period until March 29, 2024, and also rendered the Order Approving Certain Payments to Unaffected Creditors,
11. On March 22, 2024, the Court rendered an Order Extending the Stay of Proceedings until April 5, 2024.
12. On April 1, 2024, the Monitor issued its fourth report (the "**Fourth Report**"). The purpose

of the Fourth Report was to provide information to the Court with respect to i) update regarding Stornoway's communications and operations ii) the Monitor's activities since the Third Report iii) update on the SISP iv) payments to critical suppliers v) environmental matters vi) cash flow results for the 10-week period ended March 10, 2024 vii) overview of the cash flow projections viii) key employee's retention program trust ix) extension of the stay period, and x) the Monitor's conclusion and recommendations.

13. On April 4, 2024, the Court rendered a Third Amended and Restated Initial Order ("**Third ARIO**"), which notably extended the Stay Period until October 10, 2024, and also rendered an order approving Winsome's Call Option Agreement (the "**Approval Order**").
14. On May 28, 2024, the Court rendered the Wage Earner Protection Program and Key Employee Retention Plan Trust Orders ("**WEPP and KERP Orders**").
15. On August 12, 2024, the Debtors filed an Application for the issuance of an approval and vesting order (the "**Application**").
16. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the First Report, the Second Report, the Third Report, the Fourth Report or the Initial Application under the CCAA.
17. The purpose of this fifth report of the Monitor (the "**Fifth Report**") is to provide information to the Court with respect to:
  - I. Update regarding Stornoway's communications and operations;
  - II. The Monitor's activities since the Fourth Report;
  - III. Independent security review;
  - IV. Payments to critical suppliers;
  - V. Key employee's retention program Trust;
  - VI. Sale of Non-Core Assets;
  - VII. Update on Winsome's Call Option;
  - VIII. Cash flow results for the 21-week period ended August 4, 2024; and,
  - IX. The Monitor's conclusions and recommendations.
18. In preparing the Fifth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, Stornoway's books and records and financial information prepared by Stornoway and discussions with management ("**Management**") of Stornoway (collectively, the "**Information**"):
  - (i) 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 such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

- (ii) Some of the information referred to in this Fifth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
19. Future oriented financial information referred to in this Fifth 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.
20. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Fifth Report concerning Stornoway and their business is based on the Information, and not independent factual determinations made by the Monitor.

#### **I. UPDATE REGARDING STORNOWAY'S COMMUNICATIONS AND OPERATIONS**

21. Since the granting of the Third Amended and Restated Initial Order, Stornoway has continued to have communications with many of its main suppliers and other key stakeholders to explain the current situation and the next steps relating to the proposed restructuring (the "**Restructuring Process**").
22. Stornoway has pursued its ongoing discussions with its secured creditors Osisko Gold Royalties Ltd., CDPQ Ressources Inc., TF R&S Canada Ltd., Washington State Investment Board, Albion Exploration Fund LLC (collectively, the "**Streamers**") and their respective legal advisors as well as with Diaquem Inc. ("**Diaquem**") and its legal advisor, including by providing them with all requested information and documentation relating to the Restructuring Process.
23. Stornoway and the Monitor have had several discussions and exchanges of information in order to:
- a) Provide operational and financial information to Winsome and its legal and financial advisors for the completion of its due diligence process;
  - b) Negotiate a settlement agreement ("**Settlement Agreement**") with Caterpillar Financial Services Limited ("**CAT Financial**") in order to remarket and sell certain assets financed by CAT Financial and provide for the distribution of sales proceeds;
  - c) Plan and review the sale process of the non-core assets, including the timeline as well as the terms and conditions;
  - d) Actively provide information to parties participating in the sale process of non-core assets;
  - e) Complete milling campaigns to extract and process the remainder of rough diamonds located at Renard mine;
  - f) Monitor the progress and sales of diamonds from the milling campaigns;
  - g) Exchange information to finalize the implementation of the KERP Trust;
  - h) Manage all issues raised to the Monitor by Stornoway with respect to the employees;
  - i) Establish a process for the Wage Earner Protection Program ("**WEPP**") and required communications to all eligible employees;
  - j) Optimize working capital and implement various cost reduction measures;
  - k) Organize individual meetings with key stakeholders of Stornoway, including main suppliers, contractors and employees;
  - l) Ensure the continuation and viability of key contracts;
  - m) Engage WSP Canada Inc. to conduct the phase 1 environmental study;
  - n) Obtain an independent appraisal for the non-core assets with significant value;
  - o) Discuss with brokers and insurers to evaluate the appropriateness of the insurance coverage and renew the insurance coverage; and,

- p) Actively follow up with tax authorities for the collection of sales tax refunds and estimate the amounts to be received.
- 24. Stornoway has been proactive in responding to the different stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring Process.
- 25. Stornoway remained careful and vigilant in managing its liquidities. As previously reported to the Court, Stornoway focused on limiting costs by placing the Renard mine in Care and Maintenance during the Restructuring Process. Since beginning of March, Stornoway also extracted and processed the remaining ore and completed diamond sales to absorb a portion of the fixed costs associated with the mine during the Winsome Call Option Period. The milling campaigns can be summarized as follow:
  - a) Campaigns #1 and #2: Stornoway has completed these campaigns and collected the diamond sale proceeds;
  - b) Campaign #3: Stornoway has completed the ore extraction and the milling process. The sale of diamonds will be conducted between September 9 and 19, 2024; and,
  - c) Campaign #4: Approved by the board members and the Secured Creditors. The ore extraction commenced on August 8, 2024 and the milling is expected to be completed by October 3, 2024. The sales of diamonds will be conducted between November 11 and 22, 2024.
- 26. Stornoway continued to operate as a going concern under Care and Maintenance with limited milling campaigns, and to pay their current employees and their suppliers in the normal course of business for services rendered since the beginning of the CCAA Proceedings.
- 27. Stornoway, with the assistance of the Monitor, continues to explore the possibility of further reducing the costs of its operations.
- 28. To the Monitor's knowledge, the Debtors remained in compliance with the provisions of the Third ARIO and the Approval Order since their issuance and have acted in good faith and with due diligence.

## II. THE MONITOR'S ACTIVITIES SINCE THE FOURTH REPORT

- 29. The Monitor has responded to inquiries received from various parties in respect of the Restructuring Process and the CCAA Proceedings.
- 30. Since the Fourth Report, the Monitor posted a copy of the CCAA Proceedings' materials, the Fourth Report of the Monitor, the Third ARIO extending the Stay of Proceedings until October 10, 2024, the Approval Order, the WEPP and KERP Trust Orders, and finally the Monitor's Certificate for the KERP, on the Monitor's Website, which it updates on a regular and proactive basis.
- 31. The Monitor assisted the Debtors in their discussions with their main suppliers and other key stakeholders. The Monitor has also participated in meetings with several stakeholders since the Fourth Report, including:
  - a) Stornoway's main secured creditors and unaffected creditors, the Streamers and Diaquem (collectively, the "**Secured Creditors**");
  - b) CAT Financial due to the rights and security interests they hold over certain core and non-core assets;
  - c) Eligible employees to the WEPP to explain the various steps of the process and the maximum amount that they could receive;

- d) Ministère de l'Emploi et de la Solidarité sociale with respect to the assistance that Stornoway provided to former employees in finding new employment;
  - e) Holders of construction legal hypothecs;
  - f) Certain unsecured creditors, employees and other stakeholders; and,
  - g) Stornoway's insurance broker to review and renew the main insurance policies.
32. More generally, the Monitor has been responding to questions and inquiries of various stakeholders in relation to the CCAA Proceedings and the Restructuring Process.
33. Since the Fourth Report, the Monitor continued to work with Stornoway to monitor the Company's activities in view of reporting to the Court.
34. The Monitor and the SISP Agent have had multiple communications and discussions with Winsome and its legal and/or financial advisors.
35. The Monitor is also participating in regular discussions with the Company and its board members and is being kept apprised, on a weekly basis, in respect of:
- a) Stornoway's operations; and,
  - b) any other issues encountered by Stornoway.
36. The Monitor implemented a daily review of Stornoway bank accounts' receipts and disbursements. Since the Fourth Report, daily information relating to the payment of goods or services supplied to the Debtors has been presented to the Monitor by Stornoway. The Monitor received full cooperation from Management.
37. The Monitor has continued to assist Stornoway in preparing revised cash flow projections and modeling the different scenarios regarding the funding of its operations.
38. The Monitor coordinated and concluded the process to evaluate certain assets at the mine site by a third party. A final report of the realization value of these assets was received.
39. The Monitor held meetings with the insurer and broker to renew the insurance policies and extend coverage until May 31, 2025.
40. The Monitor finalized the Stornoway's KERP trust account implementation at TSX Trust and transferred the KERP funds held in trust by the Monitor accordingly. The indenture has been reviewed by Stornoway's and the Monitor's legal counsel, respectively, Norton Rose Fulbright and Osler, Hoskin & Harcourt LLP ("**Osler**").

### **III. INDEPENDENT SECURITY REVIEW**

41. As indicated in the First Report, counsel to the Monitor, Osler, was mandated to conduct a review of the security documentation relating to the security granted by Stornoway in favor of the Streamers, Diaquem and CAT Financial over Stornoway's assets.
42. Osler delivered a security opinion ("**Osler Security Opinion**") to the Monitor and, subject to the customary qualifications, assumptions and limitations set out therein, the Osler Security Opinion indicates that the security provided by Stornoway for the benefit of the Streamers, Diaquem and CAT Financial over Stornoway's assets that are subject to such security is valid and has been rendered opposable against third persons or perfected in accordance with applicable laws.

43. Certain creditors have registered construction legal hypothecs on Stornoway's assets. The Monitor, with the assistance of Osler, is currently reviewing the validity and enforceability of these construction legal hypothecs.

#### **IV. PAYMENTS TO CRITICAL SUPPLIERS**

44. The Amended and Restated Order provide that Stornoway may, with the prior consent of the Monitor and subject to certain conditions, pay amounts owing for goods or services actually supplied to Stornoway prior to the First Day Initial Order by third party suppliers up to a maximum aggregate amount of \$3.6 million, if, in the opinion of Stornoway and the Monitor, the supplier is critical to the business and the continued operations (the "**Critical Suppliers**").
45. Given the current situation and developments in the CCAA Proceedings, the Debtors are of the view that it is not currently necessary to modify the maximum aggregate amount.
46. During the period covered by this report, no payment was made to a critical supplier. The total payments to Critical Suppliers approved by the Monitor since October 27, 2023 remains at \$1.655 million, of which \$1.2 million (72.5%) is related to a single critical supplier. As previously reported, the amount paid to this critical supplier reduced the registered legal hypothec for construction liens on Stornoway's real estate property. Stornoway had to pay this critical supplier to release the legal hypothec.
47. Considering the total amount paid to Critical Suppliers of \$1.655 million, the Monitor believes that the Critical Suppliers payments should remain well below the approved amount of \$3.6 million.
48. The opportunity and extent of payments to Critical Suppliers will depend namely on the ongoing discussions with creditors and other stakeholders, which discussions will impact the measures and steps of the Restructuring Process and allow Stornoway to maximize the value of its assets.
49. The Debtors and the Monitor remain of the view that payments to Critical Suppliers will be marginal.

#### **V. KEY EMPLOYEE'S RETENTION PROGRAM TRUST**

50. On April 4, 2024, the Court rendered the WEPP and KERP Trust Orders and declared that an amount equal to the aggregate of (i) the value of the outstanding obligations owing under the KERP Agreements and (ii) the value of the Debtors' key officers' retention bonuses shall be placed in trust with the Monitor or a third-party trust agent (the "**KERP Trust**").
51. Stornoway, with the assistance of the Monitor, has taken the appropriate steps to initiate the opening of a KERP Trust account with a third-party trust agent. The service fees have been agreed and paid by the Company. The indenture has been executed by Stornoway, the Monitor and the third-party trust agent.
52. On June 19, 2024, the KERP amount was deposited in trust with the third-party agent and the Monitor issued its certificate. Consequently, the KERP Charge was terminated and replaced with the KERP Trust.
53. The KERP Trust has been or will be released in accordance with the terms and conditions set forth in the KERP Agreements and in the retention letters, as applicable.

## VI. SALE OF NON-CORE ASSETS

54. The Call Option Agreement with Winsome, which was approved by the Court on April 4, 2024, provides Stornoway with the opportunity to dispose of certain assets that are outside of the ordinary course of business (the "**Non-Core Assets**"). The list of Non-Core Assets has been determined following multiple discussions between Stornoway and Winsome.
55. Stornoway identified certain Non-Core Assets, which include camps, underground fixed and mobile equipment, and surface which were not required during the milling campaigns and could be immediately disposed during a sale process.
56. Considering that CAT Financial holds a first-ranking hypothec over certain of the assets listed for sale, Stornoway and the Monitor had ongoing discussion about the terms and conditions for the sale of those assets. Stornoway and CAT Financial, with the consent of the Secured Creditors, entered into a Settlement Agreement with respect to the sale of these assets and the distribution of the resulting sale proceeds. The Settlement Agreement provides that the Sales Proceeds from the sale of CAT equipment must be distributed as follows:
- a) Firstly, the first net sale proceeds up to \$1,000,000 USD shall be paid to CAT Financial; and,
  - b) Secondly, the net sale proceeds in excess of the \$1,000,000 USD shall be allocated as follows:
    - i. 55% of the remaining sales proceeds shall be payable to CAT Financial; and,
    - ii. 45% of the remaining sales proceeds shall be payable to Stornoway.
57. On May 29, 2024, with the approval of the Secured Creditors and CAT Financial, Stornoway and the Monitor launched the sale process in respect of the identified Non-Core Assets and reached out to potential buyers. The sales process can be summarized as follows:
- a) Identification by Stornoway and the Monitor of the potential buyers;
  - b) Preparation and sending of the sale teaser (the "**Teaser**") to all identified potential buyers.
  - c) Preparation and sending of an information package containing all relevant information for the submission of an offer (including the list of the non-core assets, the terms and conditions of the non-core asset sale, and the bid form).
58. Potential buyers had until June 28, 2024 (the "**Bid Deadline Date**") to submit proposals.
59. Certain highlights of the Non-Core Assets sale process can be summarized as follows:
- a) 60 potential buyers and auctioneers were targeted;
  - b) 7 potential buyers and auctioneers showed interest in purchasing assets; and,
  - c) 7 offers to purchase a portion of the non-core assets were received prior the Bid Deadline Date.
60. Following the analysis of the 7 offers, Stornoway and the Monitor, with the consent of the Secured Creditors and CAT Financial, retained only one offer from Accès Industriel Minier inc. (the "**Accès Offer**").



61. The Accès Offer consists of the purchase of 29 of the 41 assets marketed during the non-core assets sale process (the "**Purchased Assets**").
62. The Accès Offer stipulates that, subject to approval of the transaction by the Court, the buyer will acquire the Purchased Assets, on an as-is basis and without any representation or warranty whatsoever from Stornoway ("as-is, where is").
63. The purchase price for the Purchased Assets is \$2,400,000 (plus applicable sales tax) and is payable in cash at closing. A deposit of approximately 10% of the purchase price has already been transferred to a trust account held by the Monitor.
64. Deloitte believes that the Accès Offer represents the best alternative for all Stornoway creditors, including CAT Financial and the Secured Creditors, for the following reasons:
  - a) The Monitor is of the opinion that the process implemented by Stornoway to identify a potential buyer and the efforts made by Stornoway to conclude a transaction were adequate under the circumstances. The Monitor has been assisting and supporting Stornoway in the non-core assets sale process with the objective of maximizing the value of a transaction;
  - b) The Accès Offer respects the terms and conditions set forth for the non-core assets sale;
  - c) CAT Financial and the Secured Creditors have been consulted and consent to proceed with the Accès Offer;
  - d) The disposal of the Purchased Assets will allow CAT Financial and the Secured Creditors to maximize the value of these assets and would be more beneficial than a sale under a bankruptcy scenario.
  - e) The Monitor, in relation to the valuation provided by the independent appraiser, is of the view that the purchase price is fair and reasonable given the circumstances.
65. Therefore, the Monitor believes that the Accès Offer is in the best interest of Stornoway and its stakeholders, and supports Stornoway's request for approval from the Court to proceed with the transaction.
66. In the Application, the Debtors request that the court order that the net proceeds resulting from the sale of the Purchased Assets be distributed to: (i) CAT Financial, in accordance with the Settlement Agreement, and (ii) the balance, to the Streamers and Diaquem, in accordance with the terms and conditions of the Intercreditor Agreement entered into amongst themselves, and a direction of payment to the foregoing effect which will be sent to the Monitor by such parties.

## **VII. UPDATE ON WINSOME'S CALL OPTION**

67. On April 4, 2024, the Court authorized Stornoway to execute the Call Option Agreement with Winsome. The Call Option Period was initially set to expire on September 30, 2024.
68. On August 1, 2024, in accordance with the terms of the Call Option Agreement, Winsome exercised its right to extend the Call Option Period to December 31, 2024. In accordance with Winsome Call Option Agreement, the extension fee payment of \$2 million must be made to a trust account held by the Monitor prior to September 30, 2024.

69. In accordance with the terms of the Call Option Agreement, Winsome may, by written notice on or before December 15, 2024, elect to further extend the Call Option Period to February 28, 2025 subject to an additional cash payment of \$2 million.

#### **VIII. CASH FLOW RESULTS FOR THE 21-WEEK PERIOD ENDED AUGUST 4, 2024**

70. The highlights of Stornoway's financial performance for the period commencing on March 11, 2024, and ending on August 4, 2024, are presented in the cash flow results annexed as **Appendix A**.
71. The table below provides an overview of the cash balances and the cash variances by Stornoway from March 11 to August 4, 2024:

<b>Stornoway Cash Variation For the Period of March 11 to August 4, 2024 (In 000's CAD)</b>	
Cash and Cash Equivalents - Beginning	13,333
Net Variation in Cash Balance	(1,000)
<b>Cash and Cash Equivalents - Ending</b>	<b>12,333</b>

72. The Monitor's comments on the financial performance of Stornoway during such period are the following:
- a) Compared with the projected cash flow presented to the Court in the Fourth Report dated April 4th, 2024 (the "**Fourth Cash Flow Statement**"), Stornoway experienced an unfavorable variance of approximately \$1,074K in respect to the cash inflows. The variance is primarily attributable to:
    - i. Unfavorable variance of \$2,131K in sales of diamonds mainly due to the timing in the collection of the sales proceeds. The remains \$2,768K to be collected from the diamond sales of the second campaign;
    - ii. Favorable variance of \$409K in sales tax refunds resulting from the collection of sales and fuel taxes credits, which were budgeted at a more conservative amount;
    - iii. Favorable variance of \$281K for the rental of Stornoway's camp facilities which was not budgeted; and,
    - iv. Favorable variance of \$295K in other receipts. During this period, Stornoway had interest revenue from its bank deposits and received reimbursements by other companies for the usage of its airport which were not budgeted in the Fourth Cash Flow Statement.
  - b) Compared with the Fourth Cash Flow Statement, Stornoway experienced an unfavorable variance of \$1,551K (approx. 7% vs budget) in respect to the cash outflows:
    - i. Unfavorable variance of \$933K in payroll costs mainly due to overtime paid during the milling campaigns, and bonuses and vacations which were not included in the budget;

- ii. Favorable variance of \$891K for group insurance expenses due to conservative assumptions made by Management when budgeting expenses related to group insurance;
  - iii. Unfavorable variance of \$654K for vendors payment which is mainly due to the general insurance premium which has been budgeted on a monthly basis but disbursed as a one-time payment since Stornoway has not secured financing for the insurance premiums; and,
  - iv. Unfavorable variance for the restructuring fees of \$855K due to the higher than expected hours required to finalize the Winsome Call Option Agreement, to conduct the Wage Earner Protection Program ("**WEPP**") and the non-core assets sale process, and to support Management in the process to seek approval from the board members and Secured Creditors to proceed with the milling campaigns.
- c) Compared with the Fourth Cash Flow Statement, Stornoway experienced a favorable variance of \$509K relating to certain payments to the Unaffected Creditors due to the timing of payments which will be made once the remaining proceeds of the sales of diamonds are received.
- d) In summary, compared with the Fourth Cash Flow Statement, Stornoway experienced a net unfavorable variance of approximately \$2,116K that will be resorbed upon the collection of the remaining diamond sale for the second milling campaign.

73. As of the date of this Fifth Report, all post-filing expenses incurred by Stornoway have been or will be paid in the normal course of business.

#### **IX. CONCLUSIONS AND RECOMMENDATIONS**

74. The Monitor supports the relief sought by the Debtors in the Application, namely, to authorize and approve the proposed transaction with Accès.

75. The Monitor confirms that there is no further material development to repleat in this matter, other than what is provided for in this Fifth Report.

76. The Monitor respectfully submits to the Court this, its Fifth Report.

DATED AT MONTREAL, this 12<sup>th</sup> day of August, 2024.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Court-Appointed Monitor of  
Stornoway



Jean-François Nadon, CPA, CIRP, LIT  
President



Benoît Clouâtre, CPA, CIRP, LIT  
Senior Vice President

**Appendix A**  
**Budget to actual**  
**(UNDER SEAL)**