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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

**EIGHTH 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 an *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 conclusions and recommendations.
10. On January 24, 2024, the Court rendered a Second Amended and Restated Initial Order, 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 conclusions 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.
15. On August 12, 2024, the Monitor issued its fifth report (the "**Fifth Report**"). The purpose of the Fifth 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 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.
16. On August 16, 2024, the Court rendered the Approval and Vesting Order to authorize the sale of certain Non-Core Assets.
17. On October 4, 2024, the Debtors filed an *Application for the Issuance of a Fourth Amended and Restated Initial Order and a Case Management Order* (the "**Application**"), as well as several *Applications to Cancel a Legal Hypothec from the Land Registry and the Public Register of Real and Immovable Mining Rights* (collectively, the "**Legal Hypothecs Applications**").
18. On October 7, 2024, the Monitor issued its sixth report (the "**Sixth Report**"). The purpose of the Sixth 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 Fifth Report; iii) analysis and review of registered construction legal hypothecs; iv) sale of Non-Core Assets; v) update on Winsome's Call Option; vi) cash flow results for the 29-week period ended September 29, 2024; vii) overview of the cash flow projections; viii) extension of the stay period; and ix) the Monitor's conclusions and recommendations.
19. On October 8, 2024, the Court rendered a Fourth Amended and Restated Initial Order ("**Fourth ARIO**"), which notably extended the Stay Period until January 24, 2025.
20. On January 15, 2025, the Monitor issued its seventh report (the "**Seventh Report**"). The purpose of the Seventh 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 Sixth Report; iii) update on construction legal hypothecs; iv) update on Winsome's Call Option; v) cash flow results for the 14-week period ended January 5, 2025; vi) overview of the cash flow projections; vii) extension of the stay period; and viii) the Monitor's conclusions and recommendations.
21. On January 17, 2025, the Court rendered an Order Extending the Stay of Proceedings, which notably extended the Stay Period until and including February 28, 2025.
22. On February 20, 2025, the Debtors filed an *Application for the Issuance of an Order Extending the Stay of Proceedings and for the Issuance of an Approval Order* (the "**Application**").
23. 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, the Fifth Report, the Sixth Report, the Seventh Report, the Initial Application, or the Application.

24. The purpose of this eighth report of the Monitor (the “**Eighth Report**”) is to provide information to the Court with respect to:
- I. Update regarding the Debtor’s communications and operations;
 - II. The Monitor’s activities since the Seventh Report;
 - III. Update on construction legal hypothecs;
 - IV. Sale of certain Non-Core Assets;
 - V. Update on Winsome’s Call Option;
 - VI. Cash flow results for the 5-week period ended February 9, 2025;
 - VII. Overview of the cash flow projections;
 - VIII. Extension of the stay period; and,
 - IX. The Monitor’s conclusions and recommendations.
25. In preparing the Eighth 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 Eighth 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.
26. Future oriented financial information referred to in this Eighth 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.
27. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in the Eighth Report concerning Stornoway and their business is based on the Information, and not independent factual determinations made by the Monitor.

I. UPDATE REGARDING THE DEBTOR’S COMMUNICATIONS AND OPERATIONS

28. Since the granting of the Order Extending the Stay of Proceedings dated January 17, 2025, Stornoway has continued to communicate with many of its main suppliers and other key stakeholders to explain the current situation and the next steps relating to Stornoway’s restructuring (the “**Restructuring Process**”).

29. Stornoway has pursued its ongoing discussions with its secured creditors Osisko Gold Royalties Ltd., CDPQ Ressources Inc. ("**CDPQ**"), 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 collectively with the Streamers, the "**Secured Creditors**") and their legal advisor, including by providing them with all requested information and documentation relating to the Restructuring Process.
30. Stornoway and the Monitor have had several discussions and exchanges of information in order to:
- a) Monitor the daily operations of Stornoway, including any operational issues encountered;
 - b) Complete the fifth milling campaign to extract and process the remainder of rough diamonds located at Renard mine;
 - c) Monitor the progress and sales of diamonds from the fourth and fifth milling campaigns;
 - d) Optimize working capital and implement various cost reduction measures, such as the implementation of a cold care and maintenance;
 - e) Dismantle the underground installation of the Renard mine;
 - f) Negotiate settlements with certain construction legal hypothec holders;
 - g) Conduct the sale for the mobile camps ("**Mobile Camps**") and certain non-core equipment ("**Non-Core Equipment**"). The board members, the Secured Creditors, along with Caterpillar Financial Services Limited's ("**CAT Financial**") for certain non-core CAT leased equipment, have approved two (2) potential transactions for Mobile Camps and certain Non-Core Equipment. The Debtors will be seeking the Court's approval of the contemplated transactions at a later date. A description of the contemplated transactions, which are being negotiated and drafted by the Debtors and the purchaser, are described in the sale of certain Non-Core Assets section below;
 - h) Provide operational and financial information to Winsome and its legal and financial advisors for the completion of its due diligence process;
 - i) Negotiate and conclude with Winsome certain amendments to the Amended and Restated Call Option Agreement ("**First Amended and Restated Call Option Agreement**");
 - j) Plan and initiate the environmental rehabilitation as well as the drafting of the final restoration plan of the Renard mine; and,
 - k) Sell polished diamonds (the "**Excluded Diamonds**") to its employees, as well as certain members of First Nations partner of Stornoway, the board of directors and the Secured Creditors, excluding those from CDPQ and Diaquem. As of the date of this report, a total of \$278K in revenue has been generated from several sales of the Excluded Diamonds. Eight (8) Excluded Diamonds remain available for sale, which could generate proceeds of up to \$22K. Court approval is not required for these sales considering that each individual transaction is below the \$250,000 threshold or \$1,500,000 in the aggregate.

31. There has not been any environmental incident during the reporting period that has not been addressed by Stornoway and communicated to the environmental authorities in the normal course of business. As of the date of this Eighth Report, the Monitor has not been made aware of any issues that would necessitate immediate action.

Milling campaigns:

32. 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 the beginning of March 2024, Stornoway also extracted and processed the remaining ore and completed diamond sales to absorb a portion of the costs associated with the mine during the Winsome Call Option Period. The milling campaigns can be summarized as follows:

- a) Campaigns #1 to #4: Stornoway has completed these campaigns and collected the diamond sale proceeds;
- b) Campaign #5: The ore extraction commenced during the week of October 3, 2024, and the milling ended on January 28, 2025. The sales of diamonds will be conducted between February 3 and 14, 2025, as well as between April 7 and 17, 2025. Collection of proceeds from these sales will occur approximately two (2) weeks after each sale; and,
- c) The campaign #5 concludes all milling campaigns at the Renard mine. Stornoway will initiate the dismantle and the closure of the underground mine, as well as initiate the environmental rehabilitation plan. This will result in a lower employee headcount and care and maintenance costs.

Other:

33. Stornoway has been proactive in responding to inquiries of different stakeholders regarding the CCAA Proceedings and the Restructuring Process.
34. Stornoway continued to operate as a going concern under a cold care and maintenance and continue to pay its current employees and suppliers in the normal course of business for services rendered since the beginning of the CCAA Proceedings.
35. Stornoway, with the assistance of the Monitor, continues to explore the possibility of further reducing the costs of its operations.
36. To the Monitor's knowledge, the Debtors remained in compliance with the provisions of the Fourth ARIO since their issuance and have acted in good faith and with due diligence.

II. THE MONITOR'S ACTIVITIES SINCE THE SEVENTH REPORT

37. Since the Seventh Report, the Monitor continued to respond to inquiries received from various parties regarding the Restructuring Process and the CCAA Proceedings.
38. The Monitor posted a copy of the CCAA Proceedings' materials, the Seventh Report of the Monitor and the Order Extending the Stay of Proceedings until February 28, 2025, on the Monitor's Website which it updates on a regular and proactive basis.
39. 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 Seventh Report, including:

- a) Stornoway's main secured creditors and unaffected creditors, the Streamers and Diaquem, notably to plan and initiate the environmental rehabilitation plan should Winsome does not exercise its Call Option;
 - b) Winsome to negotiate and conclude on certain amendments requested to the First Amended and Restated Call Option Agreement. An update on the Winsome Call Option is provided in a subsequent section of this Eighth Report;
 - c) CAT Financial, given the rights and security interests they hold over certain core and Non-Core Assets;
 - d) Employees eligible to the WEPP to explain the various steps of the process, the maximum amount that they could receive, and to provide support to register their claim;
 - e) Holders of alleged construction legal hypothecs; and,
 - f) Certain unsecured creditors, employees and other stakeholders.
40. The Monitor also assisted Stornoway in conducting the sales processes and participated to numerous meetings regarding the Mobile Camps and the Non-Core Equipment. Stornoway intends to seek Court approval of contemplated transactions in due course.
41. More generally, the Monitor has been responding to questions and inquiries of various stakeholders regarding the CCAA Proceedings and the Restructuring Process.
42. Since the Seventh Report, the Monitor continued to work with Stornoway to monitor the Company's activities in view of reporting to the Court.
43. 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 environmental rehabilitation of the site; and,
 - b) Any other issues encountered by Stornoway.
44. The Monitor has continued a daily review of Stornoway bank accounts' receipts and disbursements. Since the Seventh 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.
45. The Monitor has continued to assist Stornoway in preparing revised cash flow projections and modeling the different scenarios regarding the funding of its operations.

III. UPDATE ON CONSTRUCTION LEGAL HYPOTHECS

46. As previously reported to the Court, several creditors have registered construction legal hypothecs and prior notices of intention to exercise an hypothecary right (collectively, the "**Construction Hypothecs**") on i) a mining lease issued to Stornoway by the Québec *Ministère des Ressources naturelles et de la Faune* ("**MRNF**"), and ii) on certain lots belonging to MRNF, the whole as detailed below.
47. The Monitor, with the assistance of its legal counsel, reviewed the validity and enforceability of the Construction Hypothecs and determined that they are invalid.

48. Essentially, the Monitor considers the Construction Hypothecs to be invalid for the following general reasons (certain reasons may not apply to all registrations):
- the Construction Hypothecs were registered in violation of the Stay of Proceedings;
 - the Construction Hypothecs purport to charge movable property, that is not attached to immovables;
 - the Construction Hypothecs purport to charge immovable lots belonging to the State;
 - the Construction Hypothecs purport to charge a mining lease, which is not subject to construction or renovation work.
49. In light of the Monitor's determination, Stornoway filed the Legal Hypothecs Applications, seeking discharge of the Construction Hypothecs.
50. As of the date of this report and as appears from the summary table below, Stornoway's legal counsels came to agreements with four (4) of the five (5) Construction Hypothecs holders. Two (2) settlement and release agreements have been fully executed and two (2) agreements in-principle are in the process of being executed.

Creditor	Amount (\$)	Date of registration of legal hypothec	Date of prior notice	Status
Gestion Houde Inc.	1,980,915.88	November 3, 2023	April 17, 2024	Ongoing discussions
Swallow-Fournier Inc.	1,318,351.46	November 23, 2023	-	Agreement in-principle
9039-4081 Québec Inc. d.b.a. Services SC	261,386.55	November 28, 2023	December 22, 2023	Agreement in-principle
9466-0339 Québec Inc. d.b.a. SCC Modulaire	87,675.06	November 22, 2023	April 17, 2024	Settlement and release agreement executed
Meglab Électronique Inc.	86,993.55	November 22, 2023	December 22, 2023	Settlement and release agreement executed

51. The Monitor will continue to monitor the progress of the discussions and will report to the Court in due course.

IV. SALE OF CERTAIN NON-CORE ASSETS

Mobile Camps sales

52. Stornoway's Mobile Camps were included in the first phase of the liquidation of the Non-Core Assets, for which Stornoway and the Monitor solicited 60 potential buyers. Stornoway, with the assistance of the Monitor, only received one (1) offer for the Mobile Camps before the bid deadline on June 28, 2024. This offer was declined by Stornoway and the Secured Creditors.
53. Considering the material estimated realization value of Stornoway's Mobile Camps, another sale process aimed specifically at those camps has been initiated by Stornoway, with the assistance of the Monitor. Potential purchasers had until October 15, 2024, to submit a bid ("**Mobile Camps Call for Tenders Bid Deadline**").
54. Certain highlights of the Mobile Camps Call for Tenders can be summarized as follows:
 - a) Thirty-nine (39) potential buyers have been solicited;
 - b) Eight (8) potential buyers showed interest in purchasing the Mobile Camps; and,
 - c) One (1) offer was received prior to the Mobile Camps Call for Tenders Bid Deadline.
55. The offer received was declined by Stornoway and the Secured Creditors due to the low value compared to the estimated realization value.
56. Subsequent to the Mobile Camps Call for Tenders Bid Deadline, Stornoway and the Monitor received three (3) additional offers. A summary of the offers received for the Mobile Camps is presented in **Appendix A (Under seal)**.
57. Stornoway, with the assistance of the Monitor and the Secured Creditors reviewed New Gold Inc.'s ("**New Gold**") submitted offer (the "**Successful Mobile Camps Bid**") and concluded that it should be accepted.
58. The purchase price under the Successful Mobile Camps Bid is payable in cash at closing. A deposit of 10% of the purchase price has already been transferred to a trust account held by the Monitor.
59. The transaction contemplated by the Successful Mobile Camps Bid is expected to close at the beginning of spring 2025, given New Gold's capital expenditure constraints and to avoid the logistical complexities and costs associated with the removal of the Mobile Camps during the winter season.
60. The Monitor understands that Stornoway intends to seek Court approval of the transaction by the Successful Mobile Camps Bid in the short term.
61. The Monitor believes the transaction by the Successful Mobile Camps Bid (the "**Mobile Camps Transaction**") should be approved by the Court for the following reasons:
 - a) The Monitor is of the view that the processes implemented by Stornoway, with the assistance of the Monitor, to identify a potential buyer and the efforts made by Stornoway to conclude a transaction, by including the Mobile Camps in the first phase of the liquidation of the Non-Core Assets and by conducting another Call for Tenders specifically for the Mobile Camps, thoroughly canvassed the market;

- b) Both sale processes were conducted in accordance with the terms and conditions by the Debtors and in consultation with the Monitor;
 - c) The Secured Creditors have been consulted and consented to proceed with New Gold's offer;
 - d) The disposal of the camps to New Gold will allow the Secured Creditors to maximize the realized value and would be more beneficial than a sale under a bankruptcy scenario;
 - e) Due to the current mining and exploration market conditions, which affect the demand for Mobile Camps, the Monitor believes it would be difficult to obtain a higher offer; and,
 - f) The Monitor, in relation to the valuation provided by the independent appraiser, deems that the mobile camps purchase price is fair and reasonable given the circumstances.
62. A Construction Hypothec purports to charge the Mobile Camps despite the fact that the Monitor considers that they constitute movable property, that is not attached to immovables. In order to allow the Mobile Camps Transaction to proceed notwithstanding the dispute regarding the validity of the Construction Hypothec, Stornoway intends to reserve an amount sufficient to cover same from the proceeds of the Mobile Camps Transaction.

Non-Core Equipment sale

63. Stornoway, with the assistance of the Monitor, held discussions with CAT Financial and certain auctioneers to analyze the potential sale strategies for the Non-Core Equipment sale.
64. Following discussions with these auctioneers to explore their services offered, it was determined that no auctioneer was willing to offer a minimum guaranteed offer due to the market conditions, the quantity and value of the Non-Core Equipment.
65. Considering that CAT Financial holds a first-ranking hypothec over certain assets listed for sale, Stornoway and the Monitor consulted CAT Financial to review the terms and conditions for the sale of those assets. Also, CAT Financial distributed the list of Non-Core Equipment in its dealer network.
66. Stornoway, with the assistance of the Monitor, conducted the Non-Core Equipment sale ("**Non-Core Equipment Call for Tender**"). Potential buyers had until December 20, 2024, at 17:00 to submit offers (the "**Non-Core Equipment Bid Deadline**").
67. Certain highlights of the Non-Core Assets sale can be summarized as follows:
- a) Twelve (12) potential buyers, including strategic buyers and auctioneers, have been solicited;
 - b) Five (5) potential buyers visited the mine site to inspect the Non-Core Equipment; and,
 - c) Six (6) potential buyers submitted offers prior to the Non-Core Equipment Bid Deadline. A total of eleven (11) offers to purchase a portion of the Non-Core Equipment were received, as two (2) potential buyers submitted multiples bids. A summary of the offers received for the Non-Core Equipment is presented in **Appendix B (Under seal)**.

68. Following discussions between the board members, the Secured Creditors, CAT Financial, Stornoway and the Monitor, it has been determined that the "en bloc" offer submitted by New Gold for certain equipment (the "**Successful Non-Core Equipment Bid**") should be accepted.
69. The Successful Non-Core Equipment Bid consists of the purchase of 43 assets marketed during the Non-Core Equipment Call for Tender (the "**Purchased Assets**").
70. The purchase price under the Successful Non-Core Equipment Bid is payable in cash at closing. A deposit of 10% of the purchase price has already been transferred to a trust account held by the Monitor.
71. The Monitor understands that Stornoway intends to seek Court approval of the transaction by the Successful Non-Core Equipment Bid in the short term.
72. The Monitor believes the transaction contemplated by the Successful Non-Core Equipment Bid (the "**Non-Core Equipment Transaction**") should be approved by the Court for the following reasons:
 - a) The Monitor is of the view that the Non-Core Equipment Call for Tender conducted 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 Equipment Call for Tender with the objective of maximizing the value of a transaction;
 - b) New Gold Equipment Offer respect the terms and conditions set forth for the Non-Core Equipment Call for Tender;
 - c) The Secured Creditors and CAT Financial have been consulted and consented to proceed with the Successful Non-Core Equipment Bid;
 - d) The disposal of those Non-Core Equipment to New Gold will allow CAT Financial and the Secured Creditors to maximize the value of the Non-Core Equipment and would be more beneficial than a sale under a bankruptcy scenario;
 - e) The Successful Non-Core Equipment Bid covers a significant number of assets, which will reduce the logistic complexities required to deal with several buyers;
 - f) The value of the offer is significantly advantageous compared to the other offers, both on a group and individual lot basis; and,
 - g) The Monitor, in relation to the valuation provided by the independent appraiser, deems that the asset purchase price is fair and reasonable given the circumstances.
73. Stornoway, with the assistance of the Monitor, is currently analyzing the strategic approaches to liquidate the remaining Non-Core Assets, which mainly consists of underground infrastructures and a few pieces of mobile equipment. Both in-house and auction sales strategies are being considered.
74. The independent appraiser engaged by Stornoway since the beginning of the CCAA Proceedings is scheduled to visit the Renard mine between February 24 and 26, 2025, to appraise the remaining Non-Core Assets and identify the best strategy for their liquidation.

V. UPDATE ON WINSOME'S CALL OPTION

75. 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.
76. 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 had to be made to a trust account held by the Monitor prior to September 30, 2024. This payment has been made to the Monitor on August 12, 2024, and the funds were transferred to Stornoway shortly after.
77. On December 3, 2024, the First Amended and Restated Call Option Agreement has been executed to restructure the Transaction Consideration under Subsection 4.5(1) of the Call Option Agreement in the manner detailed below with no impact on the total consideration.

Transaction Consideration	Timing	Current	Amended
Closing Consideration	Transaction Closing	\$15,000,000	\$1,000,000 – To be paid in cash
First Deferred Consideration	12-month anniversary of the Transaction Closing	\$22,000,000	\$10,000,000
Second Deferred Consideration	24-month anniversary of the Transaction Closing	\$15,000,000	\$20,000,000
Third Deferred Consideration	30-month anniversary of the Transaction Closing	-	\$21,000,000
Total Consideration		\$52,000,000	\$52,000,000

78. On December 4, 2024, in accordance with the terms of the Call Option Agreement, Winsome exercised its right to extend the Call Option Period to February 1, 2025. In accordance with Winsome Call Option Agreement, the extension fee payment of \$2 million had to be made to a trust account held by the Monitor prior to December 20, 2024. This payment has been made to the Monitor on December 17, 2024, and the funds were transferred to Stornoway shortly after.
79. On January 30, 2025, Stornoway and Winsome entered into an agreement pursuant to which the parties agreed to further extend the Call Option Period to February 28, 2025, in order to provide the time to further negotiate a Second Amended and Restated Call Option Agreement (the "**Second Amended and Restated Call Option Agreement**").
80. On February 12, 2025, the Second Amended and Restated Call Option Agreement has been executed by Stornoway and Winsome subject to the approval of the Court. The amendments are summarized as follows:

- a) Winsome could pay an extension fee of \$8,500,000 for a Fourth Call Option Period which starts following the Third Call Option Period and expires on August 31, 2025;
- b) Winsome will issue 5,000,000 fully paid ordinary shares, to 1127420 Canada Inc. or specified Secured Creditors, if the Call Option is not exercised before July 31, 2025;
- c) If the Call Option is exercised after July 31, 2025, the Third Deferred Consideration may be decreased and the Closing Consideration may be increased by \$3,000,000, payable in cash;
- d) If Winsome terminates the Second Amended Call Option Agreement without cause or do not exercise the Call Option, Winsome will have to pay a break fee of \$2,000,000;
- e) If Winsome receives a certain funding threshold during the Fourth Call Option Period, Winsome will have to exercise the Call Option; and,
- f) It modifies the terms surrounding the exclusivity granted to Winsome by the Debtors.

81. The Monitor supports the Second and Amended Restated Call Option Agreement for the following reasons:

- a) The extension fee and break fee will cover most of the estimated cost for the care and maintenance until August 31, 2025;
- b) There is currently no other buyer for Stornoway or its assets. Therefore, the alternative is an orderly liquidation or to relaunch a sale and investment solicitation process in a challenging economic and sectorial environment;
- c) Regardless of Winsome's decision to exercise or not the option, the extension will result in a higher debt recovery for the Secured Creditors; and,
- d) Stornoway will launch the environmental rehabilitation plan during the Fourth Call Option Period to advance the site closure if Winsome does not exercise the option.

82. On February 17, 2025, in accordance with the terms of the Second and Amended Restated Call Option Agreement, Winsome exercised its right to extend the Call Option Period to August 31, 2025. The extension fee payment of \$8,500,000 had to be made to a trust account held by the Monitor on or before February 21, 2025. The Monitor has been informed by Winsome that the payment has been sent. A confirmation of the wire transfer was requested by the Monitor at the time of the issuance of this Eighth Report. However, the requested confirmation has not yet been provided. Upon their receipt, the funds will be transferred to Stornoway following the issuance of the Approval Order for the Second Amended and Restated Call Option Agreement.

83. The Monitor is also informed that Winsome has continued to be actively involved in advancing the contemplated transaction and ensuing conversion of Stornoway's infrastructures for its project, including by having representatives present in Québec to discuss with Stornoway's Management and visit Stornoway's infrastructures. Should material changes occur to the Second and Amended Restated Call Option Agreement or the contemplated transaction, the Court will be immediately advised by Stornoway and the Monitor.

VI. CASH FLOW RESULTS FOR THE 5-WEEK PERIOD ENDED FEBRUARY 9, 2025

84. The highlights of Stornoway's financial performance for the period commencing on January 6, 2025, and ending on February 9, 2025, are presented in the cash flow results annexed as **Appendix C (Under seal)**.

85. The table below provides an overview of the cash balances and the cash variances of Stornoway from January 6 to February 9, 2025:

Stornoway Cash Variation	
For the Period of January 6 to February 9, 2025	
(In 000's CAD)	
Cash and Cash Equivalents - Beginning	17,951
Net Variation in Cash Balance	(4,409)
Cash and Cash Equivalents - Ending	<u>13,542</u>

86. 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 Seventh Report (the "**Seventh Cash Flow Statement**"), Stornoway experienced a favorable variance of approximately \$159K in respect to the cash inflows. The variance is primarily attributable to:
 - i. Favorable variance of \$100K in sales tax refunds resulting from conservative estimates by Management;
 - ii. Favorable variance of \$63K in other receipts due to Stornoway's interest revenue from its bank deposits, reimbursements by other companies for the usage of its airport and sale of diamonds to employees, which were not budgeted in the Seventh Cash Flow Statement.
- b) Compared with the Seventh Cash Flow Statement, Stornoway experienced a favorable variance of \$1,051K (approx. 18.7% vs budget) in respect to the cash outflows:
 - i. Favorable variance of \$695K in payroll costs mainly caused by retention bonuses which will be paid later than budgeted;
 - ii. Favorable variance of \$82K for group insurance expenses due to conservative assumptions made by Management when budgeting expenses related to group insurance for the employees;
 - iii. Favorable variance of \$389K for vendors payment, which is mainly explained by expenses budgeted on a weekly basis but paid monthly; and,
 - iv. Unfavorable variance for the restructuring fees of \$116K due to the analysis and negotiation of the Second Amended and Restated Call Option Agreement with Winsome that were not budgeted.
- c) In summary, compared with the Seventh Cash Flow Statement, Stornoway experienced a net favorable variance of approximately \$1,209K.

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

VII. OVERVIEW OF PROJECTED CASH FLOW

88. Stornoway, with the assistance of the Monitor, has prepared the projected cash flow statement (the "**Cash Flow Statement**") for the 34-week period commencing on February 10, 2025, and ending on October 5, 2025 (the "**Cash Flow Period**") for the purpose of projecting Stornoway's estimated liquidity needs during the Cash Flow Period. A copy of the cash flow statement is attached as **Appendix D (Under seal)** to this Eighth Report.

89. Presented in the table below is a summary of the projected Cash Flow Statement:

Stornoway Summary of the Cash Flow Statement Ending October 5, 2025 (In 000's CAD)	
Cash and Cash Equivalents - Beginning	13,542
Net Variation in Cash Balance	23,582
Cash and Cash Equivalents - Ending	37,124

Overview of the projected Cash Flow Statement:

90. The Cash Flow Statement has been prepared by Stornoway using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

91. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the Management.

92. Since the hypothetical assumptions do not need to 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 assumptions, and the preparation of the Cash Flow Statement.

93. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:

- a) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
- b) As at the date of this Eighth Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans or Stornoway or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or,
- c) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.

94. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of Stornoway's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by Stornoway.

95. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
96. As things currently stand, based on the Cash Flow Statement, Stornoway's total liquidities are estimated to be in the amount of \$37.1M as at October 5, 2025. This projected balance does not consider payments to unaffected creditors out of Stornoway's cash flow which could be made during the extension period or thereafter, which payments would be subject to the approval of the Monitor or of the Court prior to being made.
97. The Debtors believe that based on the Second Amended and Restated Call Option, and ultimately closing a transaction with Winsome, the going concern activities of the Debtors is a realistic and reasonable possibility.

Conclusion on the projected Cash Flow Statement

98. As indicated previously in this Eighth Report, Stornoway should have sufficient liquidity to continue to meet its obligations during the extension period.

VIII. EXTENSION OF THE STAY PERIOD

99. The current Stay Period expires on February 28, 2025.
100. By the Application, the Debtors are seeking an extension of the Stay Period until September 30, 2025, in order to allow Winsome its right to exercise the Call Option or, alternatively, to initiate an orderly termination of Stornoway's operations as a going concern and the liquidation of its assets or, to relaunch a sale and investment solicitation process in a challenging economic and sectorial environment, should Winsome not exercise the Call Option as provided in the Second Amended and Restated Call Option Agreement.
101. The Stay Period allows Stornoway to operate in a more structured and stable environment, and for Management to fully concentrate on the Restructuring Process, the sale of diamonds from the now concluded milling campaigns, the closing of the proposed Mobile Camps Transaction and Non-Core Equipment Transaction and to further monetize the remaining Non-Core Assets during the Fourth Call Option Period, the initiation or continuation of discussions regarding the Debtors' environmental obligations, the negotiation of settlement or contestation of certain legal hypothecs, the implementation of reduce care and maintenance operations of Stornoway, the whole for the benefit of all stakeholders.
102. Moreover, at the expiry of the Stay Period being sought, the Debtors (and all stakeholders) will have more visibility on Winsome's intention in respect of the Call Option and a potential transaction agreement with Winsome.
103. The Monitor is informed that Stornoway intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.
104. As demonstrated by the Cash Flow Statement, Stornoway should have sufficient liquidity to continue to meet its obligations during the extension period.

IX. CONCLUSIONS AND RECOMMENDATIONS

105. In light of the foregoing, the Monitor is of the view that in respect of the Application:
- (i) The extension of the Stay Period up to September 30, 2025, is required i) given the delays for closing; ii) to allow Winsome to pursue its due diligence and financing effort in order to maximize the opportunity to exercise its rights under

the Second Amended and Restated Call Option Agreement; and iii) to close the Mobile Camps Transaction and Non-Core Equipment Transaction and to further monetize the remaining Non-Core Assets during the Fourth Call Option Period;

- (ii) Based on the information presently available, the Monitor believes the Debtors' creditors will not be materially prejudiced by the requested extension of the Stay Period, the approval of the Mobile Camps Transaction and the Non-Core Equipment Transaction, and the approval of the Second Amended and Restated Call Option Agreement;
- (iii) The Debtors have acted, and are acting, in good faith and with due diligence, which make the requested extension of the stay of proceedings appropriate.

106. Accordingly, the Monitor supports the relief sought by the Debtors in the Application.

107. The Monitor confirms that there is no further material development to report in this matter, other than what is provided for in this Eighth Report.

108. The Monitor respectfully submits to the Court this, its Eighth Report.

DATED AT MONTREAL, this 21st day of February 2025.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Stornoway



Jean-François Nadon, CPA, CIRP, LIT
President



Benoit Clouâtre, CPA, CIRP, LIT
Senior Vice President

Appendix A
Mobile Camps Bids Summary
(UNDER SEAL)

Appendix B
Non-Core Equipment Bids Summary
(UNDER SEAL)

Appendix C
Budget to actual
(UNDER SEAL)

Appendix D
Cash flow statement
(UNDER SEAL)