



**Deloitte Restructuring Inc.**  
1190, avenue des Canadiens-de-  
Montréal  
Bureau 500  
Montreal QC H3B 0M7  
Canada

Tel: 514-369-9666  
Fax: 514-390-4103  
Stornoway@deloitte.ca

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**

**FOURTH 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 (the "**Application**").
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 ARIO**"), 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. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the First Report, the Second Report, the Third Report or the Initial Application under the CCAA.
13. The purpose of this fourth report of the Monitor (the "**Fourth 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 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.
14. In preparing the Fourth 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 Fourth 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.
15. Future oriented financial information referred to in this Fourth 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.
16. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Fourth 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**

17. Since the granting of the Second Amended and Restated Initial Order, Stornoway has had 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**").
18. Stornoway has pursued its ongoing discussions with its secured lenders 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 and/or financial 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.
19. Stornoway and the Monitor have had several discussions and exchanges of information in order to:
  - a) Actively provide information to parties participating to the SISP;
  - b) Evaluate the potential sale of the remainder of rough diamonds located at the mine site;
  - c) Manage all issues raised to the Monitor by Stornoway with respect to the employees;
  - d) Optimize working capital and implement various cost reduction measures;
  - e) Organize individual meetings with key stakeholders of Stornoway, including main suppliers and contractors;
  - f) Ensure the continuation and viability of key contracts;
  - g) Review the environmental obligations of Stornoway and communicate with the *Ministère des Ressources Naturelles et des Forêts* ("**MRNF**");
  - h) Discuss insurance and environmental guarantee matters with insurers and brokers to evaluate the appropriateness of the current coverage;
  - i) Prepare and review the communication for the permanent layoff of employees following the decision to cease all diamond mining operations; and
  - j) Actively follow up with tax authorities for the collection of sales tax refunds and estimate the amounts to be received.
20. Stornoway has been proactive in responding to the different stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring Process.
21. 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. With the assistance of the Monitor, Stornoway continues to explore the possibility of further reducing the costs of Care and Maintenance operations.
22. Stornoway continued to operate as a going concern under Care and Maintenance and pay their current employees and their suppliers in the normal course of business, for services rendered since the beginning of the CCAA Proceedings.
23. To the Monitor's knowledge, the Debtors remained in compliance with the provisions of the Second ARIO and the SISP Approval Order since their issuance and have acted in good faith and with due diligence.

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

24. The Monitor has responded to inquiries received from various parties in respect of the Restructuring Process and the CCAA Proceedings. The inquiries pertaining to the SISP were directed to Deloitte Corporate Finance Inc. (the "**SISP Agent**").
25. Since the Third Report, the Monitor posted a copy of the CCAA Proceedings' materials, the Third Report of the Monitor, the Second ARIO, the Order Approving Certain Payments to Unaffected Creditors and the Order extending the Stay of Proceedings until April 5, 2024, on the Monitor's Website, which it updates on a regular and proactive basis.
26. 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 Third Report, including:
  - a) Stornoway's main secured creditors and unaffected creditors, the Streamers and Diaquem (collectively, the "**Secured Creditors**");
  - b) Holders of construction hypothecs;
  - c) Certain unsecured creditors, employees and other stakeholders;
  - d) Stornoway's insurance broker and the insurer under the guarantee issued in favour of the MRNF to secure the rehabilitation and restoration costs; and
  - e) The MRNF to review the rehabilitation and restoration plans submitted as more fully described in the Environmental Matters section.
27. More generally, the Monitor has been responding to questions and inquiries of various stakeholders in relation to the CCAA Proceedings and the Restructuring Process.
28. Since the Third Report, the Monitor continued to work with Stornoway to develop and implement procedures to monitor the Company's activities in view of reporting to the Court.
29. The Monitor has had multiple communications and discussions with the SISP Agent and the Company regarding the progress of the SISP.
30. The Monitor is also participating in regular discussions with the Company and its board members and is being kept apprised, on a daily basis, in respect of:
  - a) Stornoway's operations; and
  - b) any other issues encountered by Stornoway.
31. The Monitor implemented a daily review of Stornoway bank accounts' receipts and disbursements. Since the Third 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.
32. The Monitor has continued to assist Stornoway in preparing revised cash flow projections and modeling the different scenarios regarding the funding of its operations.
33. The Monitor initiated the process to evaluate certain assets at the mine site. Two service offerings from third party appraisers were received. Following an evaluation of the offers, the services of an appraiser was retained. As at the date of this Fourth Report, the appraisal process by the third party is still ongoing.
34. The Monitor held meetings with the insurer and broker to renew the insurance for the reclamation bond and extend its coverage until February 2025. The Debtors, with the assistance of the Monitor, also refused to provide an increase in the existing collateral, in the form of a letter of credit, which was requested by the insurer.

35. The Monitor had discussions with TSX Trust regarding the implementation of Stornoway's KERP trust account. Upon a review of this request by its internal legal team, TSX has agreed to set up the account. The indenture is currently under review by Stornoway's and the Monitor's legal counsel, respectively, Norton Rose Fulbright and Osler, Hoskin & Harcourt LLP.
36. The Company has received service offerings for the phase 1 environmental site assessments. Following an analysis of the offers, Stornoway has decided to retain the services of WSP Canada Inc. ("**WSP**"), considering it also has the qualifications and resources to conduct the phase 2 environmental study. The environmental study could take up to three months to complete following an agreement with WSP, which is expected to be executed shortly.

### **III. UPDATE ON THE SISP**

37. Since the issuance of, and pursuant to the SISP Approval Order, the Debtors initiated steps to implement the SISP which is intended to solicit interest in Stornoway's business and assets through one or more transactions; and/or an investment, recapitalization, refinancing or other form of reorganization transaction(s) (collectively, the "**Opportunity**"). The SISP is being conducted by Stornoway, with the assistance of the SISP Agent, and under the oversight of the Monitor, the whole in accordance with the SISP procedures approved by the Court pursuant to the SISP Approval Order (the "**Bidding Procedures**").
38. Since the issuance of the Bidding Procedures and in the accordance with its terms, the Monitor has taken the following actions:
  - a) Stornoway, with the assistance of the SISP Agent and Stornoway's legal advisors, prepared a letter describing the opportunity (the "**Solicitation Letter**") outlining the SISP and inviting recipients to express their interest pursuant to the SISP. For parties having executed a non-disclosure agreement ("**NDA**"), a confidential information memorandum ("**CIM**") and a virtual data room ("**VDR**") in which all the available information in order to assess the current opportunities was made available to the interested parties having executed the NDA;
  - b) On October 30, 2023, the Monitor posted a copy of the Bidding Procedures on the Monitor's Website;
  - c) On November 13, 2023, the SISP Agent, under the oversight of the Monitor, commenced the distribution by email of the Solicitation Letter and NDA to 68 potentially interested parties;
  - d) On November 14, 2023, the Monitor posted a copy of the Solicitation Letter on the Monitor's Website;
  - e) The Monitor published a notice of the SISP with respect to the Bidding Procedures Order in *La Presse +* and in the *Globe and Mail National Edition* on November 27, 2023, and issued a press release in *Canada Newswire* on November 21, 2023;
  - f) The Monitor has been advised that the SISP Agent followed up on a regular basis with potential interested parties having received the Solicitation Letter, by emails, phone calls and meetings. The Monitor also understands that the SISP Agent followed up with additional interested parties that were added to the list of potentially interested parties after the initial distribution of the Solicitation Letter. Many approaches were made by the SISP Agent to contact potential interested parties and attract them to the Opportunity;

- g) The Monitor understands that the SISP Agent attended numerous discussions and conference calls with potential bidders and their representatives; and,
  - h) The SISP Agent and the Monitor participated in regular conference calls with Management and the Board members to provide them with updates on the progress of the SISP. These discussions were held collaboratively, and any material decision taken in connection with the SISP was made consensually by the Debtors, the Monitor, the SISP Agent, the Streamers and Diaquem.
  - i) Certain highlights of the SISP, as reported by the SISP Agent, can be summarized as follows:
    - i. 68 potentially interested parties were contacted directly by the SISP Agent, in addition to the notice of the SISP published or issued;
    - ii. 28 potentially interested parties participated in more serious discussions about the opportunity or confirmed that they were not interested;
    - iii. 11 interested parties executed an NDA, received the CIM and were granted access to the VDR;
    - iv. 10 interested parties accessed the VDR;
    - v. 2 Non-binding Letters of intent ("**LOIs**") were received prior to the Phase 1 Bid Deadline; and
    - vi. 1 binding offer was received prior to the Phase 2 Bid Deadline.
39. Interested parties that participated in Phase 1 of the SISP had until January 19, 2024 ("**Phase 1 Bid Deadline**") to provide a non-binding LOI as described in the Bidding Procedures.
40. Stornoway consulted with the Secured Creditors, the Streamers and Diaquem, as provided for in the Bidding Procedures and it was determined that pursuing the SISP is in the best interests of Stornoway and its stakeholders, including the Streamers and Diaquem.

#### *Phase 1*

- 41. The LOIs were reviewed by the Company, the SISP Agent and the Monitor and were determined to each constitute a Phase 1 Satisfactory Bid (as defined in the Bidding Procedures) and, as such, the bidders were each deemed to be a Phase 2 Qualified Bidder (as defined in the Bidding Procedures).
- 42. On January 26, 2024, the SISP Agent notified sent letters by email to the Phase 1 Qualified Bidders to officially confirm that their respective LOI constitutes a Phase 1 Successful Bid.
- 43. The SISP Agent and the Monitor are of the opinion that the Opportunity has been adequately and thoroughly canvassed and solicited in the worldwide market during Phase 1 of the SISP Opportunity.

#### *Phase 2*

Following the qualification of the Phase 2 Qualified Bidders, the SISP Agent conducted Phase 2 of the SISP in accordance with the terms and conditions of the Bidding Procedures. The purpose of Phase 2 of the SISP was to allow the Phase 2 Qualified Bidders to complete any confirmatory due

diligence in respect of the Applicants and the Opportunity, which would allow them to provide a binding offer (the "**Binding Offer**") before the Phase 2 Bid Deadline.

44. Stornoway, the SISP Agent and the Monitor communicated with the Phase 2 Qualified Bidders and organized site visits of the Renard Mine and its facilities.
45. As set forth in the Bidding Procedures, the Phase 2 Bid Deadline was February 23, 2024
46. Prior to the Phase 2 Bid Deadline, Winsome Resources Ltd. ("**Winsome**") submitted a binding letter of interest (the "**Winsome Binding Offer**").
47. Stornoway and the SISP Agent, in consultation with the Monitor and the Secured Creditors, reviewed and evaluated the Winsome Binding Offer against the criteria set forth in the Bidding Procedures.
48. During the week leading up to the deadline for the Selection of Successful Bid, Stornoway and the SISP Agent, in consultation with the Monitor, continued discussions and negotiations with Winsome with a view to finalizing an agreement.
49. On March 9, 2011, Winsome and Stornoway executed a binding letter of interest (the "**Binding LOI**").
50. On March 11, 2024, the SISP Agent notified Winsome that the Binding LOI has been selected as the Successful Bid.

#### *Call Option Agreement*

51. The Debtors are seeking the approval of the Call Option Agreement (the "**Call Option Agreement**"), filed under seal as Exhibit R-6. The Call Option Agreement provides for, inter alia, the following terms and conditions:
  - a) In consideration for the payment of an amount (to be received and deposited in the Monitor's trust account prior to Court approval), Winsome would acquire the right to an exclusive call option (the "**Call Option**") to acquire, either (i) all the issued capital of the Debtors pursuant to a Court approved "reverse vesting order"; or
  - b) Substantially all of the assets of Stornoway comprising the Renard diamond mine, diamond extraction processing facilities, supporting infrastructure including power station, office buildings, camp and airstrip, as well as associated permits, approvals and licenses to the extent assignable by the Court, (other than the Excluded Assets and the Non-Core Assets (as each term is defined in the Call Option Agreement)) (collectively, the "**Purchased Assets**"), pursuant to a Court approved "approval and vesting order".
52. The Call Option Period shall commence on the date of the Court approval and expire September 30, 2024.
53. On or before September 15, 2024, in consideration for an additional cash payment, Winsome may, by written notice, elect to extend the Call Option Period to December 31, 2024 (the "**Second Call Option Period**").
54. On or before December 15, 2024, in consideration for an additional cash payment, Winsome may, by written notice, elect to further extend the Call Option Period to February 28, 2025.

55. Should Winsome elect to exercise the Call Option, the consideration payable has been determined by the parties, and can be satisfied by Winsome, in Winsome's sole discretion, in cash, shares of Winsome or a combination of both. The consideration shall also be payable in instalments as provided under the Call Option Agreement.
56. Finally, should the Call Option be exercised, the Call Option Agreement provides that Winsome will assume all mine closure and characterization, rehabilitation, restoration and remediation obligations of the Debtors associated with the Mine, and other environmental obligations of the Debtors in relation to the Purchased Assets to the extent required by applicable laws or as otherwise determined by the Court.
57. During the Call Option Period, Stornoway, the Monitor and the SISP Agent shall cease all solicitation efforts in respect of Stornoway and the Purchased Assets. As provided for in the Call Option Agreement, the Debtors shall have the right to sell, transfer or otherwise dispose of the Non-Core Assets (which are excluded from the transactions subject to the Call Option Agreement) and rough and polished diamond inventory at their sole discretion, subject to the consent of the Monitor and the Secured Creditors, and approval of the Court, as may be required.

*Approval of the Call Option Agreement*

58. The SISP Agent, the Company and the Monitor are of the opinion that the Court should approve the Call Option Agreement for the following reasons:
  - a) The SISP was conducted by the SISP Agent, in consultation with the Monitor, the Debtors and the Secured Creditors, in accordance with the Bidding Procedures;
  - b) The SISP Agent and the Monitor are of the opinion that the worldwide market has been adequately and thoroughly canvassed and solicited regarding the sale or investment opportunity available under the SISP, and the transaction provided for in the Call Option Agreement represents the best transaction and outcome resulting from the SISP;
  - c) Should Winsome elect to exercise the Call Option, the transaction would allow the site and supporting infrastructure to be repurposed by Winsome and could potentially lead to employee retention with respect to certain employees, as well as potential for regional development; and
  - d) Moreover, and as previously mentioned, pursuant to a Transaction, Winsome would assume all mine closure and characterization, rehabilitation, restoration and remediation obligations of the Debtors associated with the Mine, and other environmental obligations of the Debtors in relation to the Purchased Assets to the extent required by applicable laws or as otherwise determined by the Court.
59. Although the Call Option Agreement in and of itself does not constitute a transaction providing for the disposition of assets, the Call Option, if exercised, will result in a transaction the result of which will be the disposition of substantially all assets of the Debtors outside of the ordinary course of business.
60. Should Winsome elect to exercise the Call Option, the resulting Transaction will then be submitted to the Court for approval, in accordance with the terms of the CCAA and of the Call Option Agreement.
61. In light of the foregoing, the SISP Agent, the Company and the Monitor submit that it is appropriate and reasonable for this Court to approve the Call Option Agreement.

#### IV. PAYMENTS TO CRITICAL SUPPLIERS

62. The First Day Initial and 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**").
63. 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.
64. During the period covered by this report, a single payment of \$7K was made to a critical supplier. This increases the total payments to Critical Suppliers approved by the Monitor since October 27, 2023, to \$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.
65. 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.
66. 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.
67. The Debtors and the Monitor remain of the view that payments to Critical Suppliers will be marginal.

#### V. ENVIRONMENTAL MATTERS

68. Since the issuance of the Third Report, the Monitor continues to have frequent discussions with the employees responsible for environmental matters with a view to establish whether the proper safeguards and procedures are in place and in order to identify if any actions are required in this regard.
69. 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 Fourth Report, the Monitor has not been made aware of any issues that would necessitate immediate action.
70. In addition, Stornoway and the Monitor, in consultation with the Streamers and Diaquem reviewed and evaluated Stornoway's environmental obligations in the event of the closure of the Renard Mine.
71. As indicated in our Third Report, Stornoway was required, under the *Mining Act*, to submit to MRNF a rehabilitation and restoration plan for its environmental obligations and maintain in force a guarantee covering the anticipated cost in favour of the MRNF.
72. In 2018, Stornoway submitted a plan with an estimated cost of \$21.4M for the restoration of the Renard mine site. On May 5, 2021, the MRNF approved this plan (the "**Approved Plan**").

73. A revised rehabilitation and restoration plan dated June 2023 has been submitted to the MRNF, with revised total restoration costs estimated at \$25M (the "**Revised Plan**"). This Revised Plan has not yet been approved by the MRNF.
74. Upon approval of the Revised Plan, Stornoway would have to provide an additional guarantee to cover any increase in the estimated restoration costs.
75. On February 8, 2024, the MRNF held a meeting with Stornoway, Diaquem's legal counsel and the Monitor to discuss its expectation of Stornoway's environmental obligations considering that Stornoway's operations could be permanently shut down. MRNF confirmed that the Revised Plan is still under review and that the current XL Guarantee, which covers the anticipated cost of the restoration as described in the Approved Plan, is currently sufficient for the following reasons:
- a) The Revised Plan has not yet been reviewed and approved by the MRNF, and consequently the obligation of Stornoway to increase the amount of the existing guarantee to equal the costs provided for in the Revised Plan has not been crystallized;
  - b) The Approved Plan is relatively recent (2021); and
  - c) The operational footprint of Stornoway's operation is smaller than initially described in the Approved Plan.
76. The XL Guarantee expired on February 23, 2024, but has been automatically renewed until February 23, 2025, in accordance with its terms. Stornoway paid the full amount of the premium invoiced by XL with respect to this renewal.

**VI. CASH FLOW RESULTS FOR THE 10-WEEK PERIOD ENDED MARCH 10, 2024**

77. The highlights of Stornoway's financial performance for the period commencing on January 1, 2024, and ending on March 10, 2024, are presented in the Actual Cash Flow annexed below as **Appendix A**.
78. The table below provides an overview of the cash balances and the cash variances by Stornoway from January 1 to March 10, 2024:

| <b>Stornoway Cash Variation<br/>For the Period of January 1, 2024 to March 10, 2024<br/>(In 000's CAD)</b> |               |
|--|---------------|
| Cash and Cash Equivalents - Beginning  | 38,591        |
| Net Variation in Cash Balance  | (25,259)      |
| <b>Cash and Cash Equivalents - Ending</b>  | <b>13,333</b> |

79. The Monitor's comments on the financial performance of Stornoway during such period are the following:
- a) Compared with the initial statement of projected cash flow presented to the Court in the Third Report dated January 22, 2024 (the "**Third Cash Flow Statement**"), Stornoway experienced a favorable variance of approximately \$1,343K in respect to the cash inflows. The variance is primarily attributable to:
    - i. Favorable variance of \$1,088K in sales tax refunds resulting from the collection of pre-filing sales taxes credits, which were budgeted for the second half of March 2024. This variance is due to a timing issue as tax

refunds during CCAA Proceedings are subject to more timing uncertainties and analysis and from tax authorities; and

- ii. Favorable variance of \$255K in other receipts. During this period, Stornoway had interest revenue from its bank deposit which was not budgeted in the Third Cash Flow Statement.
- b) Compared with Third Cash Flow Statement, Stornoway experienced a favorable variance of \$605K in respect to the cash outflows:
- i. Unfavorable variance of \$476K in payroll costs mainly due to the KERP payment to Stornoway's employees and higher than budgeted source deductions resulting from the payment of vacation to temporarily laid off employees;
  - ii. Favorable variance of \$95K, \$44K, and \$192K for vacation, bonus and group insurance expenses, respectively. These variances are due to conservative assumptions made by management when budgeting expenses related to employees;
  - iii. Favorable variance of \$142K for vendors payment is in line with the budget as it only represents a 3% discrepancy; and
  - iv. Favorable variance for the restructuring fees of \$615K due to the timing of invoices.
- c) Compared with the Third Cash Flow Statement, Stornoway experienced no variance relating to certain payments to the unaffected creditors. Following the approval of the Court on January 24, 2024, the budgeted amount of \$14.8M has effectively been paid during the week ended February 7, 2024.
- d) In summary, compared with the Third Cash Flow Statement, Stornoway experienced a net favorable variance of approximately \$1,949K.

80. As of the date of this Fourth 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**

81. Stornoway, with the assistance of the Monitor, has prepared the projected cash flow (the "**Cash Flow Statement**") for the 8-month period commencing on March 11, 2024 and ending on October 27, 2024 (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 B** to this Fourth Report.

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

| <b>Stornoway<br/>Summary of the Cash Flow Statement Ending October 27, 2024<br/>(In 000's CAD)</b> |               |
|--|---------------|
| Cash and Cash Equivalents - Beginning  | 13,333        |
| Net Variation in Cash Balance  | 1,508         |
| <b>Cash and Cash Equivalents - Ending</b>  | <b>14,841</b> |

Overview of the projected Cash Flow Statement

83. The Cash Flow Statement has been prepared by Stornoway using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
84. 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.
85. 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.
86. 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 Third 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.
87. 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.
88. 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.

89. As things currently stand, based on the Cash Flow Statement, Stornoway's total liquidities are estimated to be in the amount of \$14.8M as at October 27, 2024.
90. Subject to the approval of the Board, of the Secured Creditors and of the Monitor, Stornoway could be processing the remaining ore and doing sales of diamonds. In such case, each processing would last two weeks and incur during the month of April, June and July. The necessary number of employees have agreed to come back to work temporarily at Stornoway for those periods.
91. The Debtors believe that based on the Winsome's Call Option, and ultimately closing a transaction, the going concern activities of the Debtors is a realistic and reasonable possibility.

#### Conclusion on the projected Cash Flow Statement

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

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

93. On January 24, 2024, the Court rendered the Second ARIO and declared that an amount equal to the KERP Charge and the value of the Debtors' key officers' retention bonuses be placed in trust with a third party trust agent (the "**KERP Trust**").
94. 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 and the indenture is currently under review by Stornoway and the Monitor's legal counsels. The agreement should be executed shortly.
95. In the meantime, the funds were transferred from Stornoway to a trust account held by the Monitor. These funds will be held by the Monitor temporarily until a KERP Trust is set up, at which time the funds will be transferred to a third party trust agent and a Monitor's certificate will be issued terminating the KERP Charge.

### **IX. EXTENSION OF THE STAY PERIOD**

96. The current Stay Period expires on April 5, 2024.
97. The Debtors are seeking an extension of the Stay Period until October 10, 2024, in order to allow Winsome to exercise its Call Option or its right to exercise the Second Call Option Period or, alternatively, to initiate an orderly termination of Stornoway's operations as a going concern and the liquidation of its assets should Winsome not exercise the Call Option nor extend the Call Option Period as provided in the Call Option Agreement
98. 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 monetization of the Non-Core assets and on the reduce care and maintenance operations of Stornoway, the whole for the benefit of all stakeholders.
99. 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.
100. 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.

101. As demonstrated by the Cash Flow Statement, Stornoway should have sufficient liquidity to continue to meet its obligations during the extension period.

**X. CONCLUSIONS AND RECOMMENDATIONS**

102. In light of the foregoing, the Monitor is of the view that:

- (i) The extension of the Stay Period up to October 10, 2024, is required to allow Winsome to exercise its rights under the Call Option Agreement or, alternatively, to initiate an orderly liquidation of Stornoway's assets, for the benefit of all its stakeholders;
- (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 and the sale of the non-core assets; and
- (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.

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

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

105. The Monitor respectfully submits to the Court this, its Fourth Report.

DATED AT MONTREAL, this 1<sup>st</sup> day of April 2024.

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

**Appendix B**  
**Cash-flow statement**  
**(UNDER SEAL)**