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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**

**SEVENTH 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 conclusion 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 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.
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 conclusion 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 conclusion 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. 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 or the Initial Application under the CCAA.
21. The purpose of this seventh report of the Monitor (the "**Seventh 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 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.
22. In preparing the Seventh 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 Seventh 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.
23. Future oriented financial information referred to in this Seventh 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.
24. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Seventh 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**

25. Since the granting of the Approval and Vesting Order dated October 8, 2024, 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**").
26. 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.
27. 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) Provide operational and financial information to Winsome and its legal and financial advisors for the completion of its due diligence process;

- c) Conduct the sale of the mobile camps and the phase 2 of the non-core assets sale process. Stornoway is currently finalizing two (2) potential transactions for mobile camps and certain non-core equipment. The Debtors intend to seek the approval of the contemplated transactions at the next Court hearing to be scheduled by the Court;
  - d) Complete milling campaigns to extract and process the remainder of rough diamonds located at the Renard mine;
  - e) Monitor the progress and sales of diamonds from the milling campaigns;
  - f) Optimize working capital and implement various cost reduction measures;
  - g) Negotiate settlement with certain construction legal hypothec holders;
  - h) Stornoway sold 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 \$273K in revenue has been generated from the sales of the Excluded Diamonds.
28. 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 Seventh Report, the Monitor has not been made aware of any issues that would necessitate immediate action.

Milling campaigns:

29. 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 fixed 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 is expected to be completed by February 12, 2025. The sales of diamonds will be conducted between February 3 and 14, 2025, as well as between March 24 and April 4, 2025.

Other:

30. Stornoway has been proactive in responding to inquiries of different stakeholders regarding the CCAA Proceedings and the Restructuring Process.
31. 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.
32. Stornoway, with the assistance of the Monitor, continues to explore the possibility of further reducing the costs of its operations.

33. To the Monitor's knowledge, the Debtors remained in compliance with the provisions of the Fourth 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 SIXTH REPORT**

34. Since the Sixth Report, the Monitor continued to respond to inquiries received from various parties regarding the Restructuring Process and the CCAA Proceedings.
35. The Monitor posted a copy of the CCAA Proceedings' materials, the Sixth Report of the Monitor, the Application, and the Legal Hypothecs Applications on the Monitor's Website which it updates on a regular and proactive basis.
36. 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 Sixth Report, including:
- a) Stornoway's main secured creditors and unaffected creditors, the Streamers and Diaquem;
  - b) CAT Financial, given the rights and security interests they hold over certain core and non-core assets;
  - c) 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;
  - d) Manage all issues raised to the Monitor by Stornoway with respect to the employees;
  - e) Holders of alleged construction legal hypothecs; and,
  - f) Certain unsecured creditors, employees and other stakeholders.
37. The Monitor assisted Stornoway in conducting the sales process and participated to numerous meetings regarding the mobile camps and the phase 2 sale of non-core assets, which will be fully explained at the next Court hearing.
38. More generally, the Monitor has been responding to questions and inquiries of various stakeholders regarding the CCAA Proceedings and the Restructuring Process.
39. Since the Sixth Report, the Monitor continued to work with Stornoway to monitor the Company's activities in view of reporting to the Court.
40. The Monitor has had multiple communications and discussions with Winsome and its legal and/or financial advisors. An update on the Winsome Call Option is provided in a subsequent section of this Seventh Report.
41. 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.

42. The Monitor has continued a daily review of Stornoway bank accounts' receipts and disbursements. Since the Sixth 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.
43. 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

44. 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, and (ii) on certain lots belonging to the Ministère des Ressources naturelles et de la Faune, the whole as detailed below:

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

45. The Monitor, with the assistance of its legal counsel, reviewed the validity and enforceability of the Construction Hypothecs and determined that they are invalid.
46. Essentially, the Monitor considers Construction Hypothecs to be invalid for the following general reasons (certain reasons may not apply to all registrations):
  - a. the Construction Hypothecs were registered in violation of the Stay of Proceedings;
  - b. the Construction Hypothecs purport to charge movable property, that is not attached to immovables;
  - c. the Construction Hypothecs purport to charge immovable lots belonging to the State;
  - d. the Construction Hypothecs purport to charge a mining lease, which is not subject to construction or renovation work.
47. In light of the Monitor's determination, Stornoway filed the Legal Hypothecs Applications, seeking discharge of the Construction Hypothecs.

48. As of the date of this report, Stornoway's legal counsels came to agreements-in-principle with four (4) of the five (5) Construction Hypothecs holders and understands that settlement agreements are in the process of being drafted.
49. The Monitor will continue to monitor the progress of the discussions and will report to the Court in due course.

#### IV. UPDATE ON WINSOME'S CALL OPTION

50. 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.
51. 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.
52. On December 3, 2024, the Call Option Agreement has been Amended and Restated (the "**Amended and Restated Call Option Agreement**" or "**ARCOA**") to notably 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
<b>Total Consideration</b>		<b>\$52,000,000</b>	<b>\$52,000,000</b>

53. 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.
54. 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 Winsome Call Option or the contemplated transaction, the Court will be immediately advised by Stornoway and the Monitor. The Monitor understands that Stornoway and Winsome are in active discussions in anticipation of the February 1, 2025, Call Option deadline.

**V. CASH FLOW RESULTS FOR THE 14-WEEK PERIOD ENDED JANUARY 5, 2025**

55. The highlights of Stornoway's financial performance for the period commencing on September 30, 2024, and ending on January 5, 2025, are presented in the cash flow results annexed as **Appendix A (under seal)**.

56. The table below provides an overview of the cash balances and the cash variances of Stornoway from September 30, 2024 to January 5, 2025:

<b>Stornoway Cash Variation For the Period of September 30, 2024 to January 5, 2025 (In 000's CAD)</b>	
Cash and Cash Equivalents - Beginning	17,769
Net Variation in Cash Balance	182
<b>Cash and Cash Equivalents - Ending</b>	<b><u>17,951</u></b>

57. 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 Fifth Report (the "**Fifth Cash Flow Statement**"), Stornoway experienced a favorable variance of approximately \$2,488K in respect to the cash inflows. The variance is primarily attributable to:
  - i. Favorable variance of \$1,461K in sales of diamonds mainly due to the higher than expected sales volume, price and currency exchange rate;
  - ii. Favorable variance of \$347K in sales tax refunds resulting from the collection of sales and fuel tax credits, which were budgeted at a more conservative amount;
  - iii. Favorable variance of \$234K for the rental of Stornoway's camp facilities, which was not budgeted; and,
  - iv. Favorable variance of \$501K 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 head office equipment and furniture, which were not budgeted in the Fifth Cash Flow Statement.
- b) Compared with the Fifth Cash Flow Statement, Stornoway experienced a favorable variance of \$638K (approx. 4.4% vs budget) in respect to the cash outflows:
  - i. Favorable variance of \$490K in payroll costs mainly caused by vacation pay that will be paid later than budgeted;
  - ii. Favorable variance of \$337K for group insurance expenses due to conservative assumptions made by Management when budgeting expenses related to group insurance for the employees;

- iii. Unfavorable variance of \$392K for vendors payment, which is mainly explained by expenses budgeted on a weekly basis but paid monthly; and,
- iv. Favorable variance for the restructuring fees of \$203K due to the timing of invoices not yet received.

c) In summary, compared with the Fifth Cash Flow Statement, Stornoway experienced a net favorable variance of approximately \$3,153K.

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

## VI. OVERVIEW OF PROJECTED CASH FLOW

59. Stornoway, with the assistance of the Monitor, has prepared the projected cash flow statement (the "**Cash Flow Statement**") for the 8-week period commencing on January 6, 2025, and ending on March 2, 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 B (under seal)** to this Seventh Report.

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

<b>Stornoway Summary of the Cash Flow Statement Ending March 2, 2025 (In 000's CAD)</b>	
Cash and Cash Equivalents - Beginning	17,951
Net Variation in Cash Balance	(1,401)
<b>Cash and Cash Equivalents - Ending</b>	<b>16,549</b>

### Overview of the projected Cash Flow Statement:

- 61. The Cash Flow Statement has been prepared by Stornoway using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
- 62. 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.
- 63. 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.
- 64. 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 Seventh 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.

65. 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.
66. 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.
67. As things currently stand, based on the Cash Flow Statement, Stornoway's total liquidities are estimated to be in the amount of \$16.6M as at March 2, 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.
68. 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

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

**VII. EXTENSION OF THE STAY PERIOD**

70. The current Stay Period expires on January 24, 2025.
71. The Debtors are seeking an extension of the Stay Period until February 28, 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 should Winsome not exercise the Call Option as provided in the Amended and Restated Call Option Agreement.
72. 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, the completion of the milling campaigns, the negotiation of settlement or contestation of certain legal hypothecs, and on the reduce care and maintenance operations of Stornoway, the whole for the benefit of all stakeholders.
73. 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.
74. 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.
75. As demonstrated by the Cash Flow Statement, Stornoway should have sufficient liquidity to continue to meet its obligations during the extension period.

## VIII. CONCLUSIONS AND RECOMMENDATIONS

76. 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 February 28, 2025, is required to allow Winsome to exercise its rights under the Amended and Restated Call Option Agreement and to finalize the terms and conditions of two (2) potential transactions for certain non-core assets, namely the mobile camps and certain mobile equipment, before seeking approval by this Court;
- (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,
- (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.

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

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

79. The Monitor respectfully submits to the Court this, its Seventh Report.

DATED AT MONTREAL, this 15<sup>th</sup> day of January 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**  
**Budget to actual**  
**(UNDER SEAL)**

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