

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT No.: 500-11-057461-192  
ESTATE No.: 41-2581077

SUPERIOR COURT  
Commercial Division

**IN THE MATTER OF THE BANKRUPTCY OF:**

**11641638 Canada Inc.**, a duly incorporated  
company having a registered office at  
2500-1 Place Ville-Marie, Montreal, Quebec, H3B 1R1.

Bankrupt

- and -

**DELOITTE RESTRUCTURING INC.**

(Jean-François Nadon, CPA, CA, CIRP, LIT, designated  
responsible person) having its place of business at  
1190 avenue des Canadiens-de-Montréal, Suite 500,  
Montreal, Quebec, H3B 0M7.

Trustee

## **TRUSTEE'S PRELIMINARY REPORT TO CREDITORS**

The *Bankruptcy and Insolvency Act*, a federal act in Canada (the "**Act**"), provides for a first meeting of creditors to discuss the creditors' collective interest in the administration of the Bankrupt's estate.

### **A) Background**

11641638 Canada Inc. was created as part of the pre-closing reorganization for the Participating Streamers/Diaquem Transaction authorized by the court in the proceedings under the *Companies' Creditors Arrangement Act* ("**CCAA**") initiated by Stornoway Diamond Corporation (now known as 7936567 Canada Inc.) and certain affiliated entities. This transaction notably provided for the vesting of excluded assets to 11641638 Canada Inc. and the vesting and assignment of Excluded Liabilities (defined in the Share Purchase Agreement as any liabilities not forming part of the Assumed Liabilities in the Participating Streamers/Diaquem Transaction) to 11641638 Canada Inc.

### **B) Trustee's preliminary evaluation of assets and liabilities**

Below is a summary of the Statement of Affairs as of October 31, 2019 of 11641638 Canada Inc. It includes the Statement of Financial Position as of October 31, 2019, the estimated net realization value of the assets of 11641638 Canada Inc., as well as the estimated deficit following the distribution of the estimated proceeds from the liquidation of the assets to the creditors:

**11641638 Canada Inc.**  
**Statements of Financial Position**  
**As at October 31, 2019**  
Unaudited  
(expressed in Canadian dollars)

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	<b>Oct 31, 2019</b>
<b>ASSETS</b>	
<b>Current</b>	
Receivables	\$ 100
Loans issued to Related Parties	\$ 280,661
Intercompany investments	\$ 5,538,000
	<u>\$ 5,818,761</u>
<b>LIABILITIES</b>	
<b>Current</b>	
Loans from related Parties	\$ 36,375,005
	<u>\$ 36,375,005</u>
<b>NET ASSETS IN LIQUIDATION</b>	
<b>Share capital</b>	\$ 100
<b>Contributed surplus</b>	\$ (30,556,344)
<b>Deficit</b>	\$ -
	<u>\$ (30,556,244)</u>
	<u>\$ 5,818,761</u>

The \$36,375,005 of debt owed by 11641638 Canada Inc. is related to an advance note due to 7936567 Canada Inc., formerly known as Stornoway Diamond Corporation ("**SWY**"). The estimated net realization value of the assets of 11641638 Canada Inc. is nil because SWY was assigned in bankruptcy and it is not contemplated that there will be any distribution to creditors of SWY. Therefore, it is estimated that there will be no funds to distribute to the unsecured creditors.

**Causes of insolvency**

11641638 Canada Inc. was created and included as CCAA petitioner following the Participating Streamers/Diaquem Transaction. Upon the Closing Date (as defined in the Share Purchase Agreement), the Monitor assign 11641638 Canada Inc. into bankruptcy, pursuant to authority granted by the court, on November 7, 2019. Deloitte Restructuring Inc. was appointed Trustee in relation to the estate of 11641638 Canada Inc.

**C) Information relating to provable claims**

As of the time of the preparation of this report, considering no proof of claim has been received to date, the Trustee is not able to determine if there will be a significant difference between the amount of claims declared by the Bankrupt and the amount of claims proven by the various creditors.

**D) Legal proceedings, transfer at undervalue, and preference payments**

The Trustee has not initiated any legal proceedings and has not identified any transfer at undervalue or preference payments to date.

**E) Projected distribution and Trustee's comments on anticipated asset realization**

The Trustee estimates that there will not be any proceeds available for distribution to unsecured creditors as there are essentially no assets available for the unsecured creditors in the Bankrupt's estate.

**F) Other matters**

None.

DATED AT MONTREAL, Quebec, this 26<sup>th</sup> day of November 2019.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Proposed Court-Appointed Monitor  
of the Company



Jean-François Nadon, CPA, CA, CIRP, LIT  
President