

C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
COURT No.: 500-11-057463-198
ESTATE No.: 41-2581080

SUPERIOR COURT
Commercial Division

IN THE MATTER OF THE BANKRUPTCY OF:

7936567 Canada Inc. (formerly known as **STORNOWAY DIAMOND CORPORATION**), a duly incorporated company having an office at 400-1111 St-Charles Street West, in the city and district of Longueuil, province of Quebec, J4K 5G4.

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

Stornoway was a group of diamond mining companies whose focus was the operation of their fully-owned Renard mine, Québec's first diamond mine, located approximately 250 km north of the Cree community of Mistissini and 350 km north of Chibougamau in the James Bay region of north-central Québec, approximately 800 km north of Montréal (the "**Renard Mine**").

On September 9, 2019, 7936567 Canada Inc. (formerly known as Stornoway Diamond Corporation) filed for court protection under the *Companies' Creditors Arrangement Act* ("**CCAA**"). Deloitte Restructuring Inc. was appointed Monitor under the CCAA (in such capacity, the "**Monitor**").

As described, in the Monitor's Second and Third Reports, the CCAA proceedings, Stornoway sought and obtained an Approval and Vesting Order in view of transferring the ownership of the Renard Mine to AcquisitionCo, that would pursue the continued operations of the mine.

On November 1, 2019, as per the Approval and Vesting Order and the related Share Purchase Agreement ("SPA"), and following receipt of the confirmations from the Vendor and AcquisitionCo, the Monitor issued the Monitor's Certificate confirming that the Closing Date had occurred.

As anticipated, on or about the Closing Date, all directors and officers of 7936567 Canada Inc. resigned.

Pursuant to the Amended and Restated Initial Order, the Monitor was empowered and authorized to assign 7936567 Canada Inc. into bankruptcy as deemed appropriate in the circumstances by the Petitioners and the Monitor.

On November 7, 2019, the Monitor assigned 7936567 Canada Inc. into bankruptcy.

Financial statements

For reference purposes, below is a summary of 7936567 Canada Inc.'s income statement for the years ended December 31, 2017, 2018 and the 6 months period ended June 30, 2019:

Income Statement (\$'000 000) (Unaudited) For the 12-month period enc	Dec-17	Dec-2018	Jun-2019 (6 months)
Revenue	196.5	165.5	242.8
Cost of Goods Sold	91.6	131.7	155.1
Gross Profit	104.9	33.8	87.7
Other Operating Expenses	249.0	200.4	451.8
Operating Income	(144.0)	(166.6)	(364.1)
Non-Operating Expenses	(1.1)	91.4	40.4
Income before Tax	(142.9)	(258.0)	(404.5)
Income Tax	(28.7)	71.3	(9.7)
Net Income	(114.2)	(329.4)	(394.8)

Causes of insolvency

As indicated in the above financial statements, 7936567 Canada Inc. has cumulated deficits totaling \$838.4M for the period from January 1, 2017 to June 30, 2019. The accumulated deficits and the increased pressure on 7936567 Canada Inc.'s liquidities caused by those deficits forced the company to file for CCAA protection. As mentioned above, after the Closing Date, the Monitor assigned 7936567 Canada Inc. into bankruptcy on November 7, 2019. Deloitte Restructuring Inc. was appointed Trustee in relation to the estate of 7936567 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, which includes a summary of all amounts due to unsecured creditors known by the Trustee, the estimated net realization value of the assets of 7936567 Canada Inc., as well as the estimated deficit following the distribution of the estimated proceeds from the liquidation of the assets to the unsecured creditors:

7936567 Canada Inc.		
Statement of Affairs ('\$000,000 CA)		
As of October 31, 2019 (unaudited)	Book Value (Note 1)	Estimate of net realization value
Assets		
Office Equip/Furn.	0.01	tbd.
Computers	0.02	tbd.
Software	0.10	tbd.
Exploration Equipement	0.01	tbd.
North Arrow Minerals Inc. Shares	tbd.	tbd.
Minerals Claims	tbd.	tbd.
Total Assets		-
Liabilities		
Unsecured creditors		136.3
Total Liabilities		136.3
Deficit (before professional fees)		(136.3)
TBD: to be determined		
Note 1 Creditors will have to prove their claims and only those claims that are proven will constitute valid claims and will receive a distribution if funds are available.		
Note 2 The information above has been updated with the most-up-to-date information available to the Trustee.		

7936567 Canada Inc.	
Unsecured creditors balance ('\$000,000 CA)	
As of September 30, 2019 (unaudited)	Balance
Unsecured creditors	
FTQ	10.3
Diaquem	3.2
Debentures principal	88.6
Debentures interest	5.0
Intercompany debt	28.2
Others	0.9
Total debt	136.3

The estimated value attributed to the asset of 7936567 Canada Inc. in the Statement of Affairs is discussed below:

- Office equipment and furniture: The net realization value of those assets has yet to be determined. The Trustee is currently in discussion with auctioneers who will receive the mandate of disposing of those assets at the highest value possible.

- Computers: The net realization value of those assets has yet to be determined. The Trustee is currently in discussion with auctioneers who will receive the mandate of disposing of those assets at the highest value possible.
- Software: The net realization value of those assets has yet to be determined. The Trustee is currently in discussion with auctioneers who will receive the mandate of disposing of those assets at the highest value possible.
- Exploration equipment: The net realization value of those assets has yet to be determined. The Trustee is currently in discussion with auctioneers who will receive the mandate of disposing of those assets at the highest value possible.
- North Arrow Minerals Inc. shares: The Trustee is evaluating the proper process to dispose and maximize the value of these shares. These shares are publicly traded on the TSX-V, but may not be liquid given their nominal price and very low trading volume.
- Mineral Claims: The Trustee prepared a Call for Tenders Information Memorandum that has been used as a teaser to attract potential purchasers. The Trustee prepared a list of potential purchasers who could be interest in acquiring those assets. During the week of November 18, 2019, the memorandum was sent last week to those potential purchasers.

Based on the preliminary assessment by the Trustee, it is difficult at this point to estimate the proceeds that will be generated from the liquidation of the assets.

C) Conservatory and protective measures

- The Trustee implemented the following conservatory and protective measures:
 - Opening of a trust bank account at the NBC;
 - Seizing and securing all tangible assets (i.e. mainly buildings, inventory, and equipment) and performing an inventory count of all of those assets;
 - A notice was sent to all known creditors;
 - Publication of a notice to creditors in the *La Presse* and *The Globe and Mail* newspapers;
 - Ensuring proper insurance coverage of the 7936567 Canada Inc.'s assets;
 - Informed Computershare of the nomination of the trustee in regards of the North Arrow Minerals Inc. shares;
 - Informed RCMP that 7936567 Canada Inc. had two firearms in its possession;
 - Correspondence with the Autorité des marchés financiers;
 - Correspondence with stakeholders.

D) Information relating to provable claims

As of the time of the preparation of this report, considering the limited numbers of proofs of claim 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.

E) 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.

F) 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 little to no assets available for the unsecured creditors in the Bankrupt's estate.

G) Other matters

None.

DATED AT MONTREAL, Quebec, this 26th day of November 2019

DELOITTE RESTRUCTURING INC.

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

A handwritten signature in black ink that reads "Jean-François Nadon". The signature is written in a cursive style with a large initial "J" and "N".

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