

No. S-126583
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE *COMPANIES' CREDITORS*
***ARRANGEMENT ACT*, R.S.C. 1985, c. C36, AS AMENDED**

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF

GREAT BASIN GOLD LTD.

SUPPLEMENT TO THE SEVENTH REPORT OF THE MONITOR,
KPMG INC.

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1.0 PURPOSE OF THE MONITOR'S SUPPLEMENTAL REPORT

1.1 The purpose of this supplement to the seventh report of the Monitor dated February 21, 2013 (the "**Supplemental Report**") is to provide this Honourable Court with the following additional information:

a) An update on recent events which have taken place with respect to Hollister, including the filing by Rodeo Creek Gold Inc. ("**Rodeo**") and affiliated debtors (as described below) for protection pursuant to Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court, District of Nevada (the "Bankruptcy Court"); and

b) An update on the status of the Amended DIP Facility.

1.2 The First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report and the Seventh Report of the Monitor dated February 21, 2013 (the "**Seventh Report**") are referred to herein as the "**Monitor's Prior Reports**".

1.3 The Monitor's Prior Reports and further information regarding these proceedings can be found on the Monitor's website at <http://kpmg.ca/greatbasingold>.

2.0 RESTRICTIONS ON THE USE OF THIS REPORT

2.1 In preparing this report, KPMG has necessarily relied upon unaudited financial and other information supplied, and representations made, by certain senior management of GBGL and that of its subsidiary companies ("**Senior Management**"). Although this information has been subject to review, KPMG has not conducted an audit, nor otherwise attempted to verify the accuracy or completeness of any of the information of GBGL or its subsidiary and affiliate companies. Accordingly, unless otherwise stated, KPMG expresses no opinion and does not provide any other form of assurance on the accuracy of any such information, as provided by Senior Management and as contained in this report, or as otherwise used to prepare this report.

2.2 Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and

procedures, in accordance with standards set by the Canadian Institute of Chartered Accountants, has not been performed. Future oriented financial information referred to in this report was prepared by Senior Management based on Senior Management's estimates and assumptions. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variances could be material.

- 2.3 The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Company.
- 2.4 Capitalized terms not otherwise defined in this report are used herein as defined in the affidavit of Mr. Lourens Van Vuuren sworn September 19, 2012, which was filed with the Company's initial CCAA application, and the Monitor's Prior Reports.
- 2.5 References herein to the "**GBG Group**" are references to the consolidated group of GBGL entities.
- 2.6 Unless otherwise stated, all monetary amounts contained in this report are expressed in U.S. dollars.

3.0 UPDATE ON THE STATUS OF THE HOLLISTER OPERATIONS AND THE AMENDED HOLLISTER CREDIT FACILITY

- 3.1 As outlined in the Seventh Report, the Hollister operations have experienced steadily declining results since the commencement of the Company's CCAA proceedings. Declining operating results, in conjunction with the significantly reduced resource and reserve estimates (as outlined in certain of the Prior Reports) and the fact that a Stalking Horse Bid for Hollister acceptable to the Company and certain of its Stakeholders was not received by February 15, 2013, have caused the Company and its primary lenders to reflect on the restructuring process for Hollister.
- 3.2 The Monitor has been advised by the Company that the Existing Hollister Lenders were not prepared to grant a waiver of a number conditions precedent, as set out in the Amended Hollister Credit Facility, which had not been fulfilled by the Company (further

details provided in the Seventh Report). In addition, the Existing Hollister Lenders advised the Company that the only means by which any further funding would be made available to Hollister was pursuant to a debtor in possession facility, which could only be provided in the context of a Chapter 11 proceeding in the U.S.

3.3 Accordingly, on February 25, 2012, Rodeo, a subsidiary of GBGL, which owns the Hollister mine property and related operations, and its affiliated debtors¹ (collectively, the “**U.S. Debtors**”) filed for protection pursuant to Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court (the “**U.S. Bankruptcy Proceedings**”).

3.4 Pursuant to the first day motions which have been filed by the U.S. Debtors with the U.S. Bankruptcy Court, the U.S. Debtors are seeking certain orders, including an order from the U.S. Bankruptcy Court, authorizing them to obtain secured post-petition financing from the Existing Hollister Lenders in an amount of \$9 million to be used to fund the operating and working capital needs of the U.S. Debtors. The Monitor will advise this Honourable Court as further information regarding the U.S. Bankruptcy Proceedings becomes available.

4.0 STATUS OF THE AMENDED DIP FACILITY

4.1 The Amended DIP Facility closed on Friday February 22, 2013, increasing the amount of financing available to GBGL and Southgold from \$35 million to \$51 million.

4.2 On February 22, 2013, the Company also submitted its first funding request under the Amended DIP Facility (the “**First Request**”) for approximately \$2.0 million which will be used primarily to fund professional fees.

4.3 The Monitor has been advised by Senior Management that the First Request was funded for the full amount requested on Monday February 25, 2013.

¹ The affiliated debtors in the Chapter 11 proceeding are: Hollister Venture Corporation, Touchstone Resources Company and Antler Peak Gold Inc.

5.0 MONITOR'S OBSERVATIONS AND CONCLUSIONS

- 5.1 With the U.S. Debtors now having commenced Bankruptcy Proceedings in Nevada and Southgold (the Burnstone mine property) being subject to Business Rescue Proceedings in South Africa since September 14, 2012, the Monitor expects that future activity in the Canadian CCAA proceedings should decrease significantly.
- 5.2 The Monitor continues to be in regular communication with Senior Management and the Company's stakeholders and will update this Honourable Court on any further developments in respect of the U.S. Bankruptcy Proceedings for the U.S. Debtors in Nevada, the Business Rescue Proceedings in South Africa, as well as, in respect of the corresponding sale processes for Burnstone and Hollister.

All of which is respectively submitted to this 26th day of February, 2013.

**KPMG Inc., in its sole capacity
as court-appointed Monitor of Great Basin Gold Ltd.**



Philip J. Reynolds
Senior Vice President



Anthony J. Tillman
Senior Vice President