

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.

THIRD REPORT OF THE MONITOR,
KPMG INC.

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1.0 INTRODUCTION AND PURPOSE OF MONITOR'S REPORT

- 1.1 KPMG Inc. ("**KPMG**" or the "**Monitor**") was appointed as Monitor pursuant to the order of the Honourable Madam Justice Fitzpatrick on September 19, 2012 in respect of the petition filed by Great Basin Gold Ltd. ("**GBGL**" or the "**Company**"), under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* (the "**CCAA**"). The proceedings brought by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**" and the order granted by the Court on September 19, 2012 is hereinafter referred to as the "**Initial Order**".
- 1.2 On September 19, 2012, KPMG filed the Pre-Filing Report of the Proposed Monitor (the "**Monitor's Pre-Filing Report**") which sets out certain of the Company's background information, its initial, CCAA-filed cash flow forecast (the "**Cash Flow Forecast**"), its proposed interim financing arrangements and certain of its preliminary restructuring efforts and plans.
- 1.3 On September 26, 2012, the Monitor filed its First Report to the Court which described certain background information relating to the current financial difficulties experienced by the Company, the Monitor's assessment of the Cash Flow Forecast, information regarding the Monitor's regular monitoring of the Company to date, an overview of the Company's restructuring proceedings in South Africa and status of the Company's efforts to obtain interim financing (the "**First Report**").
- 1.4 On October 2, 2012, the Monitor filed its Second Report to the Court which provided information regarding the Company's attempts to secure interim financing and the urgency of its short term funding requirements, in light of the recent issues encountered in securing such financing (the "**Second Report**").
- 1.5 The purpose of this report (the "**Third Report**") is to provide this Honourable Court with information regarding the following:
- a) An update regarding the Company's recent Court proceedings, including its efforts to obtain interim financing and other matters;

- b) The specifics of the interim financing received by the Company to date, its short term requirements and its efforts to solidify definitive and fulsome financing for the Company's contemplated restructuring period;
- c) The settlement term sheet which has been entered into among the Company, the Approved DIP Lenders and the Ad Hoc Group, settles a number of outstanding issues which have been the subject of dispute among the parties, in respect of the Approved DIP Facility (the "**Settlement Agreement**");
- d) The activities of the Monitor from the date of the Initial Order to the date of this report;
- e) The actual receipts and disbursements of GBGL for the three-week period ended October 5, 2012, compared to the same period of the Cash Flow Forecast;
- f) The Company's updated cash flow forecast for the thirteen-week period ending January 4, 2012 (the "**Updated Cash Flow Forecast**");
- g) Background information in respect of the Company's proposed key executive retention program (the "**KERP**");
- h) An update regarding the Business Rescue Proceedings in South Africa; and
- i) The Monitor's observations and recommendations in respect of the Company's motion to approve the Settlement Agreement, the KERP and have the stay period extended to October 31, 2012 (a short period to provide for the closing of the Settlement Agreement).

1.6 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, KPMG expresses no opinion and does not provide any other form of assurance on the accuracy of any information contained in this report, or 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 Lou Van Vuuren sworn September 19, 2012, which was filed with the Company's initial CCAA application, the Monitor's Pre-Filing Report, the First Report and the Second Report.
- 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 Canadian dollars, which is the Company's common reporting currency, except for the Cash Flow Forecast (as hereinafter defined) which is in US dollars.

3.0 A GENERAL UPDATE REGARDING THE COMPANY'S RECENT COURT PROCEEDINGS, INCLUDING ITS EFFORTS TO SECURE INTERIM FINANCING AND OTHER MATTERS

CCAA Proceedings

- 3.1 On September 19, 2012, the Company obtained the Initial Order. Among other things, the Initial Order authorized the Company to enter into a debtor-in-possession financing arrangement (the “**Approved DIP Facility**”) with Credit Suisse AG (“**Credit Suisse**”) and Standard Chartered Bank (the “**Approved DIP Lenders**”).
- 3.2 On September 25, 2012, the ad hoc group of debenture holders (the “**Ad Hoc Group**”), after providing the Company with an alternate DIP financing term sheet for a proposed alternate DIP facility (the “**Proposed Alternate DIP Facility**”), sought an order from the Court, *inter alia*, (a) setting aside the Approved DIP Facility; (b) approving and authorizing the Company to enter into the Proposed Alternate DIP Facility; (c) adding Great Basin Gold Inc. (“**GBG Inc.**”), Rodeo Creek Gold Inc. (“**Rodeo**”) and Antler Peak Gold Inc. (“**Antler**”) as applicants in the CCAA Proceeding; (d) prohibiting GBGL from authorizing and prohibiting GBG Inc. from granting a guarantee (the “**GBGI Guarantee**”) as required under the Approved DIP Facility in favour of Credit Suisse; and (e) a declaration that the terms of the Approved DIP Facility amounted to an agreement to receive interest at a criminal rate, and would result in the Approved DIP Lenders receiving a payment of interest at a criminal rate, both of which constitute offences under section 347 of the *Criminal Code, R.S.C. 1985 c. C-46*.
- 3.3 At the conclusion of a two day hearing on September 27, 2012, Madam Justice Fitzpatrick dismissed the application of the Ad Hoc Group and reaffirmed the Approved DIP Facility (subject to certain modifications made by Credit Suisse during the hearing). In Reasons for Judgement issued October 1, 2012 Madam Justice Fitzpatrick held that:
- a) There was no jurisdictional basis to add GBG Inc., Rodeo and Antler to the CCAA Proceedings;
 - b) The Approved DIP Facility, remained the only viable financing option available

to the GBG Group at that time and that it was appropriate to leave the Approved DIP Facility in place, as amended;

- c) The allegation by the Ad Hoc Group as to the potential criminal interest rate under the Approved DIP Facility need not be addressed at this time and, based on a certain set of circumstances, may never need to be addressed; and
 - d) GBGL was to take all reasonable steps to ensure that any payment of the Advisory Fee, or any payment under the GBGI Guarantee be held and not paid to Credit Suisse without further order of the Court.
- 3.4 On September 27, 2012 the Ad Hoc Group brought an Application for Leave to Appeal before the B.C. Court of Appeal and sought a stay of proceedings pending the hearing of the leave application with respect to the granting of the GBGI Guarantee, Mr. Justice Low granted an interim stay, staying GBGL from permitting GBG Inc. to execute the GBGI Guarantee until the earlier of 4:00 p.m. October 5, 2012, the determination of the Ad Hoc Group's application for leave to appeal, or further order of the B.C. Court of Appeal.
- 3.5 On October 3, 2012 the Ad Hoc Group's application for leave to appeal was heard. On October 4, 2015 Justice Tysoe dismissed the leave application. In oral reasons for judgement Justice Tysoe held that the interests of justice in moving the Company's CCAA process along outweighed the concerns raised and relief sought by the Ad Hoc Group. After Justice Tysoe gave his ruling, the Ad Hoc Group requested that Justice Tysoe grant a further stay of the those provisions of the Initial Order which authorized the granting of the GBGI Guarantee until the decision of Justice Tysoe could be reviewed by a three member panel of the Court of Appeal. Justice Tysoe declined to grant the requested stay.
- 3.6 The Ad Hoc Group has filed a notice of application for such a review but no date has yet been set.

- 3.7 On October 5, 2012, the Company filed a Notice of Application in the CCAA Proceedings, requesting an extension of the stay period (provided for in the Initial Order) from October 19, to December 19, 2012.
- 3.8 On October 5, 2012, the Company filed a motion in the CCAA Proceedings for the approval of a proposed key executive retention program for six members of the Company's senior management team (the "**KERP**"). The KERP is described in more detail further in this report.
- 3.9 On October 9, 2012, the Ad Hoc Group filed an Application Response in the CCAA Proceedings pursuant to which the Ad Hoc Group:
- a) Opposed the Company's relief set out in its Notice of Application on October 5, 2012 (re: the extension of the stay period); and
 - b) Opposed the KERP.
- 3.10 In its Application Response, the Ad Hoc Group, also requested that if the Court provides the Company the relief requested in its October 5, 2012 Application Record, that the Initial Order be amended to add counsel to the Ad Hoc Group as an "**Assistant**" (as defined in the Initial Order).

Nevada Proceedings

- 3.11 On September 27, 2012 the Ad Hoc Group also brought an Emergency *Ex Parte* Motion for a Temporary Restraining Order ("**TRO**") and Appointment of a Receiver before the Eighth Judicial District Court, Clark County, Nevada (the "**Nevada Court**"). The Ad Hoc Group requested that the Nevada Court, through a TRO, appoint a receiver over GBG Inc. restraining GBG Inc. from granting the GBGI Guarantee. That same day, the motion was denied by the Nevada Court, without prejudice to the Ad Hoc Group's right to renew their request for relief.
- 3.12 On October 3, 2012, the Ad Hoc Group brought a Renewed Emergency *Ex Parte* Motion for a TRO and the Appointment of a Receiver based on new facts and circumstances since the motion was heard on September 27, 2012. The Monitor understands that on that

same day the Nevada Court granted a TRO on an emergency basis, restraining GBG Inc. from granting the GBGI Guarantee and set the Ad Hoc Group's motion for hearing on October 11, 2012 at 8:30 a.m. The Ad Hoc Group was required to post a US\$10,000.00 bond. The Monitor understands that a Minute Order was entered on the Nevada Court docket on October 3, 2012. The Monitor has been advised by US Counsel that no further order has been entered with respect to the October 3, 2012 Minute Order.

- 3.13 On October 9, 2012, the parties advised the Nevada Court that discussions were ongoing to resolve the disputes, as such, the Nevada Court issued an order extending the TRO and adjourned the injunction hearing until October 18, 2012, in connection with the parties' ongoing discussions.

Status of the DIP Facility

- 3.14 The DIP Facility transaction, including the finalization of the Definitive Documents, closed on October 4, 2012. The closing of the DIP Facility occurred notwithstanding the various motions of the Ad Hoc Group, and the granting of the TRO by the Nevada Court.
- 3.15 As at the date of this report, there are a number of defaults which have occurred under the DIP Facility. These defaults are set out in further detail in this report in **Section 4**.

Interim Financing Received to Date

- 3.16 To date, US\$14.2 million of interim funding has been received. This is significantly less than the funding requirements which Senior Management expected to have advanced and which are presented in the Cash Flow Forecast of US\$24.7 million. The interim advances made to date under the Approved DIP Facility, the waiver letter delivered by the Approved DIP Lenders with respect to their latest advance (which was made on October 3, 2012), and GBGL's near term funding requirements are discussed in more detail in **Section 4** of this report.

The Settlement Agreement

- 3.17 On Monday October 15, 2012 the Company, the Approved DIP Lenders and the Ad Hoc Group entered into the Settlement Agreement. The major effect of the Settlement

Agreement is to resolve the substantive issues that have existed between the Company's primary existing secured lenders and the Approved DIP Lenders on one hand, and the Ad Hoc Group on the other hand with respect to the GBGI Guarantee.

3.18 The details of the Settlement Agreement, along with the Monitor's observations and recommendations thereon, are provided further in this report in **Section 5**.

4.0 INTERIM FINANCING RECEIVED BY THE COMPANY TO DATE AND ITS IMMEDIATE AND MID-TERM FUNDING REQUIREMENTS

4.1 To date, US\$14.2 million in interim advances have been received, consisting of:

- a) The Emergency Burnstone Advance, which was approved by this Honourable Court on September 19, 2012 and received by the Company on September 21, 2012. The amount advanced was approximately US\$9.2 million. This advance was used to fund Burnstone obligations, which consisted primarily of outstanding employee payroll and severance.
- b) A further advance of US\$5 million was made on October 3, 2012 (the "**Second Interim Advance**"). This advance was used primarily to fund outstanding trade suppliers, other creditor obligations and continuing operating costs at Hollister (US\$4 million of the advance), and continuing costs at Burnstone (US\$1 million of the advance).

Waiver received pursuant to the Second Interim Advance

4.2 In order to facilitate GBGL receiving the further Second Interim Advance under the approved DIP Facility (see (ii), above), the Approved DIP Lenders delivered a waiver letter to the Company dated October 3, 2012 (the "**Waiver Letter**") pursuant to which the Approved DIP Lenders specifically waived the following conditions precedent solely with respect to the Second Interim Advance, until 5:00pm Pacific Time on October 5, 2012 (the "**Waiver Period**"). All capitalized terms not otherwise defined in this section are used herein as defined in the Approved DIP Facility.

- a) that the GBGI Guarantee and the related security documents have been duly authorized, entered into and is in full force and effect;
- b) that the Approved DIP Lenders have received satisfactory legal opinions from McMillan LLP, Harris & Thompson and U.S. legal advisers to the Borrower with respect to the GBGI Guarantee;
- c) that the Approved DIP Lenders have received a legal opinion from U.S. legal advisers to the Borrower with respect to whether the registration requirements for an “investment company” under the Investment Company Act of 1940, as amended, are required for any of the applicable Approved DIP Lenders;
- d) that the DIP Facility Agent has received evidence that the fees, costs and expenses then due from the Company pursuant to Clause 11 (Fees), Clause 16 (Costs and Expenses) and Clause 12.5 (Stamp Taxes) have been paid or will be paid by or immediately after the first Utilisation Date, as required by Section 8(c) of the Initial Utilisation Schedule;
- e) that no notice shall have been received of a motion or application to stay, modify, vary, amend, reverse, appeal, or vacate in whole or in part the Initial Order or the DIP Charge or which in any way seeks to impair, limit or lessen the Security, protections, rights, or remedies of the Lenders, whether under the Initial Order or under any of the Finance Documents, as required by Section 8(w) of the Utilisation Schedule and Clause 4.3(f) of the Credit Agreement;
- f) that the application for leave to appeal commenced under court file number CA 040276 in the British Columbia Court of Appeal (the “**Debenture Appeal**”) shall have been dismissed, vacated or withdrawn in all respects and shall not be the subject of any further application for leave to appeal, or further appeal, as required by Section 8(x) of the Initial Utilisation Schedule; and
- g) that no Default has occurred and is continuing or would result from the proposed Loan, as required by Clause 4.3(a) of the Credit Agreement, in respect of Clause 23.33 of the Credit Agreement arising from the Debenture Appeal, and in respect

of Clause 23(b)(iii) of the Credit Agreement or as a result of the breach of representation and warranty set forth in Clause 17.1(t)(ii), which is an Event of Default pursuant to Clause 23.(4), in each case arising as a result of the application in the Nevada court for the appointment of a Receiver (the “Nevada Receivership Application”).

- 4.3 Since the Waiver Period has now expired, the DIP Facility is in default in respect of all previously waived items (above). In addition, further events of default have occurred and are occurring under the Definitive Documents on account of the Debenture Holder Appeal and the Nevada Receivership Application.

Company’s near-term cash requirements

- 4.4 As at the date of this report, The Company’s consolidated cash balance is approximately US\$6.8 million.
- 4.5 An overview of the Company’s Updated Cash Flow Forecast (as hereinafter defined) over the next three-weeks is provided below:

Great Basin Gold Ltd				
Updated Cash Flow Forecast (Consolidated Basis)				
For the three week Period Ending November 2, 2012				
Unaudited (US\$000's)				
	19-Oct	26-Oct	2-Nov	3-Week Subtotal
Forecast Cash Inflow				
Gold sales and other	3,465	4,620	2,404	10,489
Forecast Total Cash Inflow	3,465	4,620	2,404	10,489
Forecast Cash Outflow				
<u>Overdue:</u>				
Overdue Suppliers	(2,500)	(2,500)	(1,000)	(6,000)
DIP Financing Fees	(700)	-	-	(700)
Professional Fees	(2,321)	-	-	(2,321)
Interest - Term loan I	(1,681)	-	-	(1,681)
	(7,202)	(2,500)	(1,000)	(10,702)
<u>Ongoing:</u>				
Ongoing Suppliers	(1,927)	(3,040)	(360)	(5,327)
DIP Financing Fees	(41)	(8)	(8)	(58)
Professional Fees	(1,000)	(98)	(50)	(1,148)
Payroll and Benefits	(794)	(1,564)	(15)	(2,374)
Royalties	-	-	(1,500)	(1,500)
Insurance	(79)	-	(265)	(344)
Interest	(104)	(49)	(49)	(202)
Other	-	-	(350)	(350)
Red Kite Repayment	(1,275)	-	-	(1,275)
	(5,221)	(4,759)	(2,597)	(12,577)
Total Forecast Outflow	(12,423)	(7,259)	(3,597)	(23,279)
Net Cash Flow	(8,958)	(2,639)	(1,194)	(12,791)

4.6 As indicated above, the Company has significant obligations which are overdue of approximately US\$10.7 million and on-going funding requirements over the next three weeks of approximately US\$12.6 million. Significant professional fees have already been incurred as a result of the recent litigation over the Approved DIP Facility, including the contested GBGI Guarantee, which have compounded the Company's significant short term cash flow issues.

4.7 Overall, if financing was available, the Company expects it would have funded its requirements over the next three weeks in the order of US\$12.8 million (represented by the cumulative net cash flow of the three week period). However, there is no definitive and fully assured funding available at this time, and therefore the Company continues to manage its scarce resources in the best way it can.

4.8 The Company and the Approved DIP Lenders have discussed this issue and have agreed to work in good faith to establish more definitive funding arrangements. Until that occurs, the Company will have to continue to defer certain of its existing obligations.

4.9 The Company has also prepared an extended forecast which projects its total cash needs to March 31, 2013 (the contemplated last milestone date for the sale of the Burnstone and/or Hollister properties in the Approved DIP Facility). The forecast suggests the Company requires up to US\$45 million in financing to that date. As a result, the Company is discussing the prospect of increasing the maximum DIP Facility to that amount and/or exploring further sources of financing through another lender and through a possible sale of its non-core assets.

5.0 THE PROPOSED SETTLEMENT AGREEMENT BETWEEN THE COMPANY AND ITS PRIMARY LENDING GROUPS

5.1 The Settlement Agreement is attached to this report as **Schedule C**. It should be noted that the Monitor has been advised that section 5(e) will be removed, as the Monitor will not be approving this transaction, but merely reporting on its merits to this Honourable Court. The arrangements are summarized in the table below:

Great Basin Gold Ltd Summary of Approved DIP Lenders & Ad Hoc Group Term Sheet (the "Term Sheet")	
The Guarantees	<ul style="list-style-type: none"> • There are now two guarantees, as follows: <ol style="list-style-type: none"> i. There is the CS Guarantee which is the same as the GBGI Guarantee which has been described in previous reports; and ii. The "Computershare Guarantee", provided in favour of the Company's convertible debenture holders that is, as in the case of the CS Guarantee, secured by security and pledge agreements granted by GBGI substantially in the same form as the security granted in the CS guarantee but for an unlimited amount owing by GBGL to the bondholders.
Intercreditor Agreement between the Approved DIP Lenders and Bondholders	<ul style="list-style-type: none"> • Sharing of payments made under the guarantees with a 50/50 split of the benefits under the guarantees if the gross sale proceeds of the Burnstone mine are less than \$100M USD and 60/40 split in favour of the Ad Hoc Group if the gross sale proceeds of the Burnstone mine are equal to or greater than \$100M USD. • The same sharing arrangement applies if the amount or other consideration to be paid under the guarantees results from a restructuring or other non-sale event. • GBGL, GBGI and Southgold shall all consent to the Settlement Agreement and agree to the granting of the guarantees and corresponding security; represent that they have no present plans for a GBGI Chapter 11 proceeding; agree that any sale of Hollister or restructuring of the GBGL debt shall be approved by the Court and any sale of Burnstone shall be approved by the BRP and any other approvals under the Business Rescue Proceedings in SA; and, consult with the Ad Hoc Group and their counsel (subject to the execution of confidentially agreements) regarding the sales/restructuring process provided that the Ad Hoc Group have no consent or veto rights.
Amendments to the CCAA Initial Order	<ul style="list-style-type: none"> • Authorizing GBGL to take all commercially reasonable steps required to facilitate delivery by GBGI of the guarantees and the related security. • Authorizing GBGL to consult with the Ad Hoc Group and their counsel (subject to the execution of

	<p>confidentiality agreements) before any material decisions or steps should be taken in connection with the CCAA process, the Business Rescue Proceedings in South Africa or any proposed restructuring or sale, including the development of any sales process, provided that the Ad Hoc Group have no consent or veto rights.</p> <ul style="list-style-type: none"> • Authorizing GBGL to pay the Ad Hoc Group's legal fees (subject to a cap) and increasing the Administration Charge to \$2.4625M CAD and adding counsel to the Ad Hoc Committee as a beneficiary to that charge.
Minutes of Settlement	<ul style="list-style-type: none"> • Approval of the Settlement Agreement shall be sought from the Court on October 16, 2012 or as soon as possible thereafter. • The Approved DIP Lenders and the Ad Hoc Group will each receive 50% of the Burnstone Advisory Fee to the extent actually paid by Southgold. • Payment by GBGL of Ad Hoc Group's legal fees up to a cap of \$700K CDN up to the date of hearing to approve the Settlement Agreement and up to a cap of \$125K CDN monthly thereafter. • Subject to completion of the Settlement and payment of the fees of the Ad Hoc Group's counsel, the Ad Hoc Group will not oppose the proposed KERP or the retention of CIBC WM as financial advisor to GBGL • After the Settlement Agreement is approved by the Honourable Court, the Ad Hoc Group shall withdraw its contention that the payments under the original GBGI Guarantee and with respect to the Advisory Fee constituted payments of interest at a criminal rate and the DIP Order is to be amended to delete the requirement that no payment be made under the GBGI Guarantee or the Advisory Fee without further order of the Court. • The current litigation commenced in British Columbia and Nevada by the Ad Hoc Group shall be adjourned without prejudice until the transaction in the Settlement Agreement is completed and thereafter dismissed with prejudice.

5.2 The following is noted from the arrangement contemplated by the Settlement Agreement:

- a) The original GBGL Guarantee (now referred to as the CS Guarantee), is effectively unchanged but now will be shared between the Existing Lenders and the Company's convertible debentures holders (the "**Parties**");
- b) The Advisory Fee remains unchanged but will now be shared between the Parties;
- c) There is now an additional guarantee to be provided by GBGL (the Computershare Guarantee) which guarantees the indebtedness of the convertible debenture holders for any shortfall experienced on the recovery of their debts from GBGL;
- d) All major court motions and actions by the Ad Hoc Group are to be adjourned in Canada and the U.S.;
- e) The Settlement Agreement contemplates that the September 27, 2012 Order of this Honourable Court be amended to provide for the withdrawal by the Ad Hoc

Group of its contention that payments under the original GBGI Guarantee and with the Advisory Fee constitutes payments at a criminal rate; and

- f) Legal fees of the Ad Hoc Group will be paid by the Company for past services rendered in the order of \$700,000 and future monthly fees up to a cap of \$125,000 will also be paid.

The Monitor's observations and recommendations

- 5.3 The Monitor is of the opinion that the Settlement Agreement should allow the Company to finally move forward with its plans to refinance, recapitalize and sell part or all of the Company's assets, without further delay or disruptions, for the benefit of all its stakeholders.
- 5.4 The Monitor notes, however, that there an additional Guarantee which provides for a potentially significant benefit to the debenture holders and, if any amount is paid to the debenture holders thereunder, this would arguably be to the detriment of all non-financial creditors (excluding bank and professional fee creditors) of GBGL and GBGL's equity holders. Aggregate non-financial creditors of GBGL are currently estimated at less than CAD\$200,000.
- 5.5 The Monitor also observes that the criminal rate of interest issue, which gave rise to the requirements of the September 27, 2012 order granted by this Honourable Court, still appears to remain an open issue.
- 5.6 However, taking all of the above-noted considerations into account, the Settlement Agreement avoids any ongoing material disruption, incursion of additional costs and further delays with respect to the Company's restructuring proceedings and should provide the Company with access to funding under the Approved DIP Facility in the near future. The spectrum of options available to the Company and its stakeholders absent such a settlement agreement are extremely limited. Realistically the Company would be unable to move forward with its restructuring proceedings without having a settlement of the issues in dispute between the Approved DIP Lenders, the Existing Lenders and the Ad Hoc Group.

5.7 Accordingly, the Monitor recommends that this Honourable Court approve the Settlement Agreement, but remains of the view that the current requirements of the Order of this Honourable Court of September 27, 2012, (requiring that any payment of the Advisory Fee or any payment under the CS Guarantee which would now apply equally to the Computershare Guarantee be held by GBGL and not paid to Credit Suisse and the Ad Hoc Group without further order of this Honourable Court), not be varied or amended at this time.

6.0 ACTIVITIES OF THE MONITOR TO DATE

6.1 In accordance with Paragraphs 49-51 of the Initial Order, the Monitor has:

- a) Published notices containing information prescribed under the CCAA in the National Post and the Vancouver Sun on September 24, 2012 and on September 22, 2012, respectively. Copies of the actual notices are attached as **Schedule B**.
- b) Made the Initial Order publicly available in the manner prescribed by the CCAA by posting it on the website that the Monitor has established for the CCAA Proceedings at www.kpmg.ca/greatbasingold (the “**Monitor’s Website**”) on September 20, 2012.
- c) Distributed a notice on September 25, 2012 in the prescribed manner, to every known creditor who has a claim against GBGL of more than \$5,000 and prepared a list showing the names and addresses of those creditors and the estimated amounts of those claims and made it publicly available in the prescribed manner by posting it on the Monitor’s Website on September 25, 2012. Other materials filed to date with this Honourable Court in respect of the CCAA Proceedings have been posted on the Monitor’s Website, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

Monitoring of Receipts and Disbursements

6.2 The Monitor assisted the Company in establishing procedures and controls to monitor the receipts and disbursements of the GBG Group, including intercompany cash transfers

during the CCAA Proceedings. In addition, the Monitor is assisting the Company in its weekly financial reporting requirements as well as the dissemination of financial and other information to the Approved DIP Lenders and their advisors.

Other Activities of the Monitor

6.3 In addition to monitoring cash and noticing the appropriate creditors, the activities of the Monitor from the date of the Initial Order include the following:

- a) Numerous meetings and discussions with Senior Management and GBGL's legal and financial advisors regarding the Company's business and financial affairs, including the Cash Flow Forecast, efforts surrounding interim financing, operational restructuring activities, employee matters and other matters relating generally to the CCAA Proceedings;
- b) Meetings with legal counsel and financial advisors of the Approved DIP Lenders and the Ad-Hoc Group regarding the Company's interim financing needs and other matters;
- c) Preparation of the First Report and Second Report to this Honourable Court;
- d) Preparation of the Second Report to the Appeals Court with further information regarding the Company's attempt to secure interim financing and immediate funding requirements;
- e) Preparation for and attendance at various Court hearings;
- f) Completing the necessary documentation required to be filed with the Office of the Superintendent of Bankruptcy;
- g) Assisting the Company with various cash flow re-forecasts, KERP discussions and the proposed sales process;
- h) Assisting the Company in responding to and dealing with various supplier inquires and issues; and

- i) Responding to enquires from various other stakeholders.

7.0 RECEIPTS AND DISBURSEMENTS FOR THE THREE-WEEK PERIOD ENDED OCTOBER 5, 2012

7.1 The consolidated receipts and disbursements of the GBGL Group for the three-week period ended October 5, 2012 (the latest period actual information was available) as compared to the Cash Flow Forecast, is tabled below:

Great Basin Gold Ltd			
Consolidated Actual versus Forecast Cash Flow			
For the Three Week Period Ending October 5, 2012			
Unaudited (US\$000's)			
	Consolidated		
	Actual	Forecast	Variance
Forecast Cash Inflow			
Gold sales and other	9,805	10,281	(476)
Forecast Total Cash Inflow	9,805	10,281	(476)
Forecast Cash Outflow			
Suppliers	(7,512)	(15,131)	7,619
Payroll and Benefits	(9,694)	(11,595)	1,901
Royalties	(787)	(800)	13
Insurance	(402)	(771)	369
Other	(47)	(54)	7
Professional Fees	(1,403)	(2,194)	791
Total Forecast Outflow	(19,845)	(30,545)	10,700
Net Cash Flow before financing charges	(10,040)	(20,264)	10,224
Red Kite Repayment	(988)	(996)	9
DIP Financing Fees	-	(737)	737
DIP & Other Interest	-	(1,795)	1,795
Net Cash Flow before DIP	(11,028)	(23,793)	12,765
Interim Financing Received To Date	14,235	23,181	(8,946)
Intercompany disbursement	-	-	-
Net Cash Flow	3,207	(612)	3,819
Cash, beginning of period (September 15, 2012) (Note 2)	6,254	6,254	-
Cash, end of period (October 5, 2012)	9,462	5,643	3,819
Note 1	Readers are cautioned to read the Terms of Referenced as set out on previously in this report for information regarding the preparation of the Cash Flow Forecast.		
Note 2	The first week of the Cash Flow Forecast includes forecast cash inflows and outflows for a portion of the pre-filing week leading up to the CCAA filing date of September 19, 2012.		

- 7.2 During the three-week period ended October 5, 2012 (the “**Reporting Period**”), the Company’s actual receipts were approximately US\$0.5 million less than forecast in the Cash Flow Forecast. This is a result of lower than forecast gold ounces sold at Hollister, which was partially offset by higher than actual unitary selling prices.
- 7.3 The Company’s total disbursements for the Reporting Period were approximately US\$10.7 million less than those anticipated in the Cash Flow Forecast. To a large degree, this positive variance is considered to be timing in nature as current levels of funding are not adequate for management to fund its planned obligations in accordance with the Cash Flow Forecast. Subject to obtaining more definitive funding arrangements going forward, Senior Management expects the current trend to reverse in the short term.
- 7.4 Of particular note, the Company has advised that its professional fee obligations are far in excess of budget and, as a result, expects that the current favourable variance will reverse and become unfavourable to the Cash Flow Forecast in the coming weeks.
- 7.5 The closing cash balance was US\$9.5 million as at October 5, 2012¹ and the Net Cash Flow, is reflective of interim financing received to date of approximately US\$14.2 million.

8.0 UPDATED CASH FLOW FORECAST FOR THE THIRTEEN-WEEK PERIOD ENDING JANUARY 4, 2013

- 8.1 Senior Management, with the assistance of the Monitor, has updated the Cash Flow Forecast (the “**Updated Cash Flow Forecast**”) for the period ending January 4, 2013 (the “**Updated Cash Flow Period**”).
- 8.2 The Updated Cash Flow Forecast is attached as **Schedule A**.
- 8.3 A summary of the Updated Cash Flow Forecast is set out in the table below:

¹ The Company’s cash balance as at October 12, 2012 was approximately US\$6.8 million

Great Basin Gold Ltd				
Summary of the Updated Cash Flow Forecast (Note 1)				
For the 13-Week Period Ending January 4, 2013				
Unaudited (US\$000's)				
	Consolidated	Canada ⁽²⁾	US - Hollister ⁽²⁾	South Africa - Burnstone ⁽²⁾
Forecast Cash Inflow				
Gold sales and other	39,092	(71)	36,853	2,310
Forecast Total Cash Inflow	39,092	(71)	36,853	2,310
Forecast Cash Outflow				
Suppliers	(28,438)	(290)	(23,202)	(4,946)
Payroll and Benefits	(9,221)	(1,875)	(6,750)	(596)
Royalties	(1,500)	-	(1,500)	-
Insurance	(1,022)	(149)	(591)	(283)
Other	(1,900)	(300)	(1,200)	(400)
Professional Fees ⁽³⁾	(8,692)	(7,586)	-	(1,106)
Total Forecast Outflow	(50,774)	(10,200)	(33,243)	(7,331)
Net Cash Flow before financing charges	(11,682)	(10,271)	3,610	(5,021)
Red Kite Repayment	(8,832)	-	(8,832)	-
DIP Financing Fees	(789)	(789)	-	-
DIP & Other Interest	(4,668)	(756)	(550)	(3,362)
Net Cash Flow before DIP	(25,971)	(11,816)	(5,773)	(8,383)
DIP Advances	18,250	18,250		
Intercompany disbursement	-	(10,931)	6,000	4,931
Net Cash Flow	(7,721)	(4,497)	227	(3,452)
Cash, beginning of period (October 5, 2012)	9,461	5,004	793	3,665
Cash, end of period (January 4, 2013)	1,740	507	1,020	213
DIP Balance - January 4, 2013	32,485	9,319	8,000	15,166
Note 1	Readers are cautioned to read the Terms of Referenced as set out on previously in this report for information regarding the preparation of the Cash Flow Forecast.			
Note 2	For cash flow reporting purposes the Company segments its operations by geographical jurisdiction			
Note 3	Does not include any legal or financial advisors relating to the Ad Hoc Group			

8.4 Over the course of the Updated Cash Flow Period, the GBG Group are forecast to experience net cash outflow (before DIP advances) of approximately \$26.0 million on a consolidated basis, made up of the following net cash outflow by geographical region:

- a) GBG Canada – net cash outflow of US\$11.8 million;
- b) US – Hollister – net cash outflow of US\$5.8 million; and
- c) South Africa – Burnstone – net cash outflow of US\$8.4 million.

- 8.5 A summary of the forecast net outflow of US\$26.0 million by operating and other key funding categories is tabled below:

Summary Updated Cash Flow Forecast by key operating and other funding categories	
13-Weeks Ended January 4, 2013	
In 000's USD	
Net operating cash out flow	2,990
Red Kite repayment	8,832
Interest & financing fees	5,457
Professional fees	8,692
Total net cash out flow	25,971

9.0 EXECUTIVE KEY EMPLOYEE RETENTION PLAN

Overview of the KERP

- 9.1 The Company has identified certain executives that have been and remain instrumental to the Company's restructuring efforts to date and who also have extensive knowledge of the Company's operations in both Nevada and in South Africa. The Company has advised the Monitor that these executives are critical to the Company's successful restructuring. This includes the current effective management of the ongoing Burnstone care and maintenance program, the proper monitoring, assistance and oversight to the Hollister operation, and contribution to the Company's planned refinancing, recapitalization and a sale of one or both of its mining properties.
- 9.2 Six executives (the "**Executives**") have been identified by the Company as critical to a successful restructuring. Four of these executives (the "**Short-term Executives**") will be required on a full time basis to October 31, 2012 and then on mutually agreeable consulting agreements throughout the restructuring period. Two executives, Mr. Van Vuuren (Interim – CEO) and Mr. Bechmann (VP Legal and Compliance) (the "**Long-term Executives**") will be required through the completion of a restructuring or the earlier of March 31, 2013 (the "**Restructuring Period**") with an option to extend, at the sole discretion of Mr. Van Vuuren and Mr. Bechmann for a period past March 31, 2013 but not beyond June 30, 2013.

- 9.3 In order to retain the Executives as either full time employees or pursuant to a consulting contract, the Company has developed the KERP in the expectation of providing incentives and a degree of certainty for the Executives in order for them to remain committed to the Company's ongoing business activities, including its restructuring process.
- 9.4 The proposed KERP has a total cost of approximately US\$0.9 million with the bonus payment scheduled to be paid in two increments. The first payment is for 50% of the total KERP and is proposed to be made on or around November 30, 2012 (the "**Interim Payment**"). The final 50% bonus payment is proposed to be made either on the earlier of a completed restructuring process or March 31, 2013.
- 9.5 The Executives' bonus amounts, are between approximately 3-12 months' salary of the proposed recipients. For certain of the Executives, the amounts coincide with GBGL's severance obligations that otherwise might be paid to the proposed KERP recipient should they have been terminated by GBGL.
- 9.6 In order to be eligible to participate in the KERP, each of the Executives must:
- a) be employed by the Company on the date the Court grants the KERP approval order;
 - b) have not resigned and his/her employment has not been terminated for cause prior to the completion of the Restructuring Period (except in the case of the Short Term Executives – see (d), below);
 - c) have his/her employment in connection with a successful restructuring terminated without cause and the Executive is either not offered employment or offered employment on inferior terms;
 - d) as it relates to the Short-term Executives, they must continue to provide services to the Company following October 31, 2012 pursuant to a consulting agreement (the "**Post Employment Agreements**"); and

- e) as it relates to the Short-term Executives, they must continue to fully and faithfully honour the terms of any written or oral consulting agreement.
- 9.7 Any payments to be made under the KERP require the Monitor's prior approval. In the event that an Executive disputes any determination by the Monitor as to an Executive's entitlement to payment under the KERP, such dispute shall be referred to a single arbitrator as acceptable to the Company and the Executive for determination.
- 9.8 Approximately US\$0.4 million of the KERP relates to the payment to the Short-Term Executives and although pursuant to the KERP the Short-Term Executive is only required to remain as an employee of the Company through October 31, 2012 it does require them to provide services and fully and faithfully honour the terms of the Post Employment Agreements through the Restructuring Period. In the event that one or more of the Executives does not honour/fulfill the terms of the KERP, the Monitor has the power to withhold/not approve the KERP Payment.

Monitor's Observations and Recommendations

- 9.9 The Monitor has attempted to assess with various members of Senior Management of the Company and their advisors whether each of the Executives is, in fact, "critical" to the operations and ongoing restructuring of the Company. As a result of this process the Monitor concurs that the retention of the Executives is, on balance, important to preserving value at the Burnstone and Hollister properties and would be valuable in respect of assisting the Company in any refinancing, recapitalization or sale. It is important to note that the proposed KERP bonuses are not fully paid until the end of the Restructuring Period.
- 9.10 The Monitor understands that the Company's Existing Lenders and Approved DIP Lenders support the KERP, while the Ad Hoc Group does not oppose the KERP.
- 9.11 Accordingly, the Monitor recommends the approval of the KERP to this Honourable Court.

10.0 EARLY TERMINATION OF GOLD HEDGES

- 10.1 On October 3, 2012, GBGL received a notice of early termination from Credit Suisse International (“**CSI**”) pursuant to an ISDA Master Agreement dated September 26, 2011. On October 5, 2012, GBGL received a notice of early termination from Standard Chartered Bank pursuant to the ISDA Agreement dated December 5, 2011 (the “**Termination Notices**”) with respect to various zero cost collars (the “**Gold Hedges**”) that were put in place as part of the US\$150 million financing of Burnstone.
- 10.2 The Termination Notices were triggered by various insolvency clauses included in the ISDA Master Agreements and have the effect of crystallizing the Gold Hedges obligations and increasing the stated Burnstone secured debt obligations
- 10.3 As of June 30, 2012, the Company reported a balance sheet, long-term liability of approximately \$26.5 million related to the Gold Hedges. The following chart outlines an updated estimated schedule of financial indebtedness taking the Gold Hedges into account (now that they have been terminated):

Great Basin Gold Limited - Schedule of Financial Indebtedness		
CAD (millions) - As at July 2012		
	Jul-12	Note
Term Loan I	150.0	1
Term Loan II	50.5	1
Convertible Debentures	126.5	1
Red Kite	25.0	1
Unwound Hedges	26.5	2
Total	378.5	
*Information above provided by GBGL's financial advisor (with the exception of the hedges information)		
Notes:		
1. Amount consistent with what was previously disclosed in the Proposed Monitor's Report		
2. Amount estimated based on the liability relating to the Term 1 zero cost collars on the June 30, 2012 financial statements		

- 10.4 The Monitor will provide an update of the Company's unwound hedge obligations, as necessary in a subsequent report.

11.0 THE COMPANY'S RESTRUCTURING EFFORTS

- 11.1 The Company has certain restructuring milestone dates included in the DIP Credit Facility. The Company and its advisors are in the midst of developing a sales or investor solicitation process (the “SISP”) in order to meet these milestones.
- 11.2 The Monitor has taken part in discussions regarding the policies and procedures surrounding the SISP and will review and report to this Honourable Court when the SISP has been finalized and is put forward for approval.
- 11.3 It is expected that the SISP will be finalized in the coming few weeks.

12.0 UPDATE ON THE BUSINESS RESCUE PROCEEDINGS IN SOUTH AFRICA

- 12.1 On September 14, 2012, a Notice of Beginning of Business Rescue Proceedings was filed with the *Companies and Intellectual Property Commission Republic of South Africa* on behalf of Southgold. Attached to the notice was a nomination for Mr. Peter van den Steen to be appointed BRP.
- 12.2 The Monitor continues to be in regular contact with the BRP to ensure that the proceedings and related restructuring efforts are coordinated.
- 12.3 The Monitor has been advised by the BRP that the Burnstone care and maintenance program is continuing and that the BRP is finalizing an agreement with a neighboring mine to process their mined ore through the Burnstone Mill which the Monitor has been advised will generate a small amount of additional cash for the estate while keeping the mill operational (which could help with any Burnstone sales process).
- 12.4 The First Meeting of Creditors (“**Meeting of Creditors**”) was held on October 3, 2012 which was attended by approximately 200 creditors. The Monitor has been advised that the meeting went smoothly and that a creditors committee comprised of 6-7 creditors has been formed.
- 12.5 The Monitor has also been advised that the BRP and legal counsel are in the process of preparing an application to the applicable South Africa Court for an extension of the time

to prepare a business rescue plan until March 31, 2013 in an attempt to coincide with the milestones in the CCAA Proceedings and DIP Credit Facility. The BRP has advised that this application is going to be heard on or around October 23, 2012.

13.0 THE MONITOR'S CONCLUDING OBSERVATIONS AND RECOMMENDATIONS

Observations

- 13.1 There has been a central issue that the Company and its financiers have been struggling with prior to and, more notably, subsequent to the Initial Order. The issue is in respect of the Approved DIP Facility, primarily with respect to the existence of the GBGI Guarantee and the Advisory Fee.
- 13.2 The issues with the Approved DIP Facility have been discussed, negotiated and litigated with vigour. The current impact of this until now has been that the Company has been struggling for much needed and significant interim financing, has incurred significant and unplanned professional fee cost overruns, and has not been able to effectively launch its plans to refinance, recapitalize and/or sell certain or all of its assets for the benefit of the stakeholders.
- 13.3 However, the Settlement Agreement represents the beginning of a solution to the Company's existing road blocks and represents a resolution that has the consensus of the material affected parties being the Company, the Existing Lenders, the Approved DIP Lenders and the Ad Hoc Group.
- 13.4 It has become apparent that the Company is unlikely to receive timely, required funding and be able to complete a restructuring within the currently established milestones as set out in the DIP Facility without the completion of the Settlement Agreement which, without dispute, has been vigorously negotiated.
- 13.5 The Company and the DIP Lenders appear to be in active discussions in good faith with a view to concluding a definitive interim financing vehicle which will allow the Company to restructure.

Monitor's Recommendations

13.6 In light of the above, the Monitor recommends the following to this Honourable Court:

- a) that the stay period extension be granted to October 31, 2012;
- b) that the Settlement Agreement be approved subject to subsection 5(e) (relating to the Monitor approval) being deleted and that any amounts to be paid under the GBGI Guarantee, and the Advisory Fees to the Approved DIP Lenders and the Ad Hoc Group, must be approved by the Court; and
- c) that the KERP be approved in the current form.

All of which is respectively submitted to this Honourable Court this 15th day of October, 2012.

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



Philip J. Reynolds
Senior Vice President



Anthony J. Tillman
Senior Vice President

Great Basin Gold Ltd. - CANADA
 Consolidated Weekly Cash Flow Forecast
 For the 13-week period ending January 4, 2013
 in \$ 000's USD (except for ounces and price of Gold)

Week Ending	Actual 21-Sep	Actual 28-Sep	Actual 5-Oct	1 12-Oct	2 19-Oct	3 26-Oct	4 2-Nov	5 9-Nov	6 16-Nov	7 23-Nov	8 30-Nov	9 7-Dec	10 14-Dec	11 21-Dec	12 28-Dec	13 4-Jan	13 Week Total
Gold Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	6	-	-	-	(71)	-	-	-	-	-	-	-	-	-	(71)
Total Cash Receipts	-	-	6	-	-	-	(71)	-	-	-	-	-	-	-	-	-	(71)
Cash Disbursements																	
Suppliers	(1)	(0)	(11)	-	-	(80)	(10)	-	-	-	(110)	(10)	-	-	(70)	(10)	(290)
Payroll and Benefits	-	(261)	(13)	(42)	(294)	(672)	(15)	-	-	(193)	(494)	-	-	(70)	(95)	-	(1,875)
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	(15)	-	-	-	-	(149)	-	-	-	-	-	-	-	-	(149)
Other	(5)	(55)	(13)	-	-	-	(100)	-	-	-	(100)	-	-	-	(100)	-	(300)
Professional Fees	(227)	-	(1,146)	(1,000)	(3,224)	-	-	(2,073)	-	-	-	-	(1,290)	-	-	-	(7,586)
Total Cash Disbursements	(233)	(316)	(1,198)	(1,042)	(3,518)	(752)	(125)	-	(2,221)	(193)	(704)	(10)	(1,290)	(70)	(265)	(10)	(10,200)
Net Cash Flow Before Financing	(233)	(316)	(1,192)	(1,042)	(3,518)	(752)	(196)	-	(2,221)	(193)	(704)	(10)	(1,290)	(70)	(265)	(10)	(10,271)
Red Kite Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Financing Fees	-	-	-	-	(741)	(8)	(8)	(5)	(5)	(5)	(4)	(4)	(2)	(2)	(2)	(2)	(789)
Interest	-	-	-	-	(104)	(49)	(49)	(58)	(58)	(58)	(59)	(59)	(65)	(66)	(66)	(66)	(756)
Net Cash Flow After Financing	(233)	(316)	(1,192)	(1,042)	(4,363)	(809)	(254)	(63)	(2,284)	(255)	(767)	(73)	(1,357)	(138)	(332)	(78)	(11,816)
DIP Advances	9,235	-	5,000	-	9,000	1,000	-	4,500	-	-	500	-	2,750	500	-	-	18,250
Interco Non-DIP disbursement	(1,800)	1,993	99	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interco disbursement	(9,235)	-	(3,000)	(800)	(6,881)	-	-	-	-	-	(500)	-	(2,750)	-	-	-	(10,931)
Net Cash Flow post DIP	(2,033)	1,677	907	(1,842)	(2,244)	191	(254)	4,437	(2,284)	(255)	(767)	(73)	(1,357)	362	(332)	(78)	(4,497)
Cash & Equivalents Position																	
Opening Cash Position	4,452	2,419	4,097	5,004	3,161	917	1,108	854	5,291	3,007	2,752	1,984	1,911	554	917	584	5,004
Net Cash Flow incl. DIP	(2,033)	1,677	907	(1,842)	(2,244)	191	(254)	4,437	(2,284)	(255)	(767)	(73)	(1,357)	362	(332)	(78)	(4,497)
Closing Cash Position	2,419	4,097	5,004	3,161	917	1,108	854	5,291	3,007	2,752	1,984	1,911	554	917	584	507	507

SCHEDULE A (CONTINUED)

Great Basin Gold Ltd. - United States
 Consolidated Weekly Cash Flow Forecast
 For the 13-week period ending January 4, 2013
 in \$,000's USD (except for ounces and price of Gold)

Week Ending	Actual 21-Sep	Actual 28-Sep	Actual 5-Oct	1	2	3	4	5	6	7	8	9	10	11	12	13	13 Week Total
				12-Oct	19-Oct	26-Oct	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	7-Dec	14-Dec	21-Dec	28-Dec	4-Jan	
Cash Receipts																	
Nevada Ounces Sold	1,470	1,412	1,455	1,260	2,100	2,100	1,500	1,500	1,500	1,500	1,500	1,875	1,875	1,875	1,875	1,875	22,335
Nevada Price per Ounce	1,754	1,801	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	21,450
	2,579	2,543	2,401	2,079	3,465	3,465	2,475	2,475	2,475	2,475	2,475	3,094	3,094	3,094	3,094	3,094	36,853
Gold Sales	2,579	2,543	2,655	2,079	3,465	3,465	2,475	2,475	2,475	2,475	2,475	3,094	3,094	3,094	3,094	3,094	36,853
Other	26	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	2,605	2,578	2,655	2,079	3,465	3,465	2,475	2,475	2,475	2,475	2,475	3,094	3,094	3,094	3,094	3,094	36,853
Cash Disbursements																	
Suppliers	(1,586)	(1,419)	(2,929)	(1,215)	(4,150)	(4,050)	(1,350)	(350)	(1,600)	(1,600)	(2,187)	(1,500)	(1,300)	(1,100)	(1,500)	(1,300)	(23,202)
Payroll and Benefits	(215)	(605)	(250)	(750)	(250)	(750)	-	(1,000)	-	(1,000)	-	(1,000)	-	(1,000)	-	(1,000)	(6,750)
Royalties	-	-	(787)	-	-	-	(1,500)	-	-	-	-	-	-	-	-	-	(1,500)
Insurance	-	(186)	(50)	-	(22)	-	(190)	-	-	-	(190)	-	-	-	(190)	-	(591)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,200)	-	(1,200)
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Disbursements	(1,807)	(2,211)	(4,016)	(1,965)	(4,422)	(4,800)	(3,040)	(1,350)	(1,600)	(2,600)	(2,377)	(2,500)	(1,300)	(2,100)	(2,890)	(2,300)	(33,243)
Net Cash Flow Before Financing	798	367	(1,361)	114	(957)	(1,335)	(565)	1,125	875	(125)	98	594	1,794	994	204	794	3,610
Red Kite Repayment	(988)	-	-	(1,670)	(1,275)	-	-	(1,988)	(957)	-	-	-	(2,484)	(460)	-	-	(8,832)
DIP Financing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(550)
Net Cash Flow After Financing	(190)	367	(1,361)	(1,556)	(2,232)	(1,335)	(565)	(863)	(82)	(125)	98	594	(691)	(16)	204	794	(5,773)
DIP Advances	1,800	(1,934)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interro NON-DIP funding	-	-	2,000	800	5,200	-	-	-	-	-	-	-	-	-	-	-	6,000
Interco funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow post DIP	1,610	(1,566)	639	(756)	2,968	(1,335)	(565)	(863)	(82)	(125)	98	594	(691)	(16)	204	794	227
Cash & Equivalents Position																	
Opening Cash Position	110	1,720	153	793	37	3,005	1,670	1,106	243	162	37	135	729	38	22	226	793
Net Cash Flow incl. DIP	1,610	(1,566)	639	(756)	2,968	(1,335)	(565)	(863)	(82)	(125)	98	594	(691)	(16)	204	794	227
Closing Cash Position	1,720	153	793	37	3,005	1,670	1,106	243	162	37	135	729	38	22	226	1,020	1,020

SCHEDULE A (CONTINUED)

Unaudited - Prepared by Management

Great Basin Gold Ltd. - SOUTH AFRICA
 Consolidated Weekly Cash Flow Forecast
 For the 13-week period ending January 4, 2013
 in \$ 000's USD (except for ounces and price of Gold)

Week Ending	Actual 21-Sep	Actual 28-Sep	Actual 5-Oct	1 12-Oct	2 19-Oct	3 26-Oct	4 2-Nov	5 9-Nov	6 16-Nov	7 23-Nov	8 30-Nov	9 7-Dec	10 14-Dec	11 21-Dec	12 28-Dec	13 4-Jan	13 Week Total
Cash Receipts																	
Burnstone Ounces Sold	-	-	307	-	-	700	-	-	-	-	-	-	-	-	-	-	700
Burnstone Price per Ounce	1,650	1,650	1,750	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	21,450
	-	-	537	-	-	1,155	-	-	-	-	-	-	-	-	-	-	1,155
Gold Sales	-	-	537	-	-	1,155	-	-	-	-	-	-	-	-	-	-	1,155
Other	13	78	1,332	-	-	-	-	1,675	-	-	(520)	-	-	-	-	-	1,155
Total Cash Receipts	13	78	1,869	-	-	1,155	-	1,675	-	-	(520)	-	-	-	-	-	2,310
Cash Disbursements																	
Suppliers	(11)	(801)	(754)	(389)	(277)	(1,410)	-	-	-	(1,200)	(280)	-	-	-	(1,390)	-	(4,946)
Payroll and Benefits	(8,349)	-	-	(50)	(250)	(142)	-	-	-	(91)	-	-	-	(63)	-	-	(596)
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	(75)	-	(75)	-	(57)	-	(75)	-	-	-	(75)	-	-	-	(75)	-	(283)
Other	10	(51)	73	-	-	-	-	-	(400)	-	-	-	-	-	-	-	(400)
Professional Fees	-	(11)	(19)	(98)	(98)	(98)	(300)	(50)	(50)	(50)	(50)	(63)	(63)	(63)	(63)	(63)	(1,106)
Total Cash Disbursements	(8,426)	(863)	(776)	(537)	(682)	(1,650)	(375)	(50)	(50)	(1,741)	(405)	(63)	(63)	(125)	(1,528)	(62)	(7,331)
Net Cash Flow Before Financing	(8,412)	(784)	1,094	(537)	(682)	(495)	(375)	1,625	(50)	(1,741)	(925)	(63)	(63)	(125)	(1,528)	(62)	(5,021)
Red Kite Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Financing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	(1,681)	-	-	-	-	-	-	-	(1,681)	-	-	-	(3,362)
Net Cash Flow After Financing	(8,412)	(784)	1,094	(537)	(2,363)	(495)	(375)	1,625	(50)	(1,741)	(925)	(63)	(1,744)	(125)	(1,528)	(62)	(8,383)
DIP Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interco NON-DIP Advances	-	(59)	(99)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interco Advances	9,235	-	1,000	-	1,681	-	-	-	-	-	500	-	2,750	-	-	-	4,931
Net Cash Flow post DIP	823	(844)	1,994	(537)	(682)	(495)	(375)	1,625	(50)	(1,741)	(425)	(63)	1,007	(125)	(1,528)	(62)	(3,452)
Cash & Equivalents Position																	
Opening Cash Position	1,692	2,514	1,671	3,665	3,129	2,447	1,952	1,576	3,201	3,151	1,410	985	923	1,929	1,804	276	3,665
Net Cash Flow incl. DIP	823	(844)	1,994	(537)	(682)	(495)	(375)	1,625	(50)	(1,741)	(425)	(63)	1,007	(125)	(1,528)	(62)	(3,452)
Closing Cash Position	2,514	1,671	3,665	3,129	2,447	1,952	1,576	3,201	3,151	1,410	985	923	1,929	1,804	276	213	213

COURT FILE NO. S-126583
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.

Take notice that on September 19, 2012, Great Basin Gold Ltd. commenced court-supervised restructuring proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). KPMG Inc. has been appointed by the court as Monitor in Great Basin Gold's CCAA proceedings pursuant to the Order of the Supreme Court of British Columbia made on September 19, 2012 (the "Initial Order").

As required by section 23(1)(a)(i) of the CCAA, notice is hereby given that a copy of the Initial Order has been posted on the Monitor's website at:

www.kpmg.ca/greatbasingold

The Monitor will post additional relevant information and documentation related to these proceedings on the Monitor's website as they become available. Interested persons may contact the Monitor directly for further information at:

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 333 Bay Street Suite 4600
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CS95909

COURT FILE NO. S-126583
 IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES' CREDITORS
 ARRANGEMENT ACT, R.S.C. 1985, c. C36, AS AMENDED

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Help your customers: Get rid of less-popular products, simplify their choices

Many times the antidote for overloaded consumers isn't more options at the store shelf, it's decision simplicity, says Harvard Business Review. "When asked, consumers almost always say they want more options. But their purchasing behaviour often indicates otherwise. Consumers are often overwhelmed by the flood of product information and choices available to them. Many report unnecessarily

agonizing over trivial purchases. This cognitive overload causes them to make poor decisions, repeatedly change their minds, give up on purchases altogether, or regret the purchases they do make — none of which is good for your brand. Help your customers simplify their decisions.

Reduce choice by getting rid of less-popular products. Or simplify their choices by giving them trustworthy information they can use to weigh the alternatives." *Reuters*



MANAGEMENT TIP

FP ENTREPRENEUR

U.S. budget cuts may cost 1M jobs: report

Nearly half of losses would come from SMBs

BY ANDREA SHALAL-ESA
WASHINGTON • Small businesses in the United States could lose nearly 1 million jobs in 2013 if lawmakers do not avert US\$1.2-trillion (\$1.17-trillion) in across-the-board budget cuts due to begin taking effect in January, a new study showed.

The Aerospace Industries Association released a new analysis on Thursday that showed that small businesses would likely lose 956,181 jobs — or 45% of the 2.14 million total job losses expected across the U.S. if the additional budget cuts take effect.

"Nearly half of all sequestration job losses would come from small businesses," said George Mason University economist Stephen Fuller, who has studied the jobs impact of the budget cuts for the largest aerospace and defence industry group.

Top Pentagon officials will testify on Thursday before the House Armed Services Committee about what they describe as the devastating impact that an additional US\$500-billion in budget cuts — on top of US\$486 billion already being implemented

— would have on U.S. national security and procurement programs. A separate hearing will look at the impact on businesses with fewer than 500 employees.

Defence industry executives have been railing against the across-the-board cuts for more than a year, warning that they would force the Pentagon to break thousands of contracts, resulting in billions of dollars in potential termination fees and other contract adjustments.

They say the cuts would be especially painful for small and medium-sized suppliers, many of whom build just one product for bigger prime contractors, but the new study is the first to show the projected impact on jobs in that sector.

A staggering effect... that people need to take into account

Coupled with overall economic pressures, many small business owners are telling AIA they may move into other business areas, downsize, and some may have to shut down, AIA said in the report.

Marion Blakey, president of the AIA, said Mr. Fuller's new analysis underscored what she

called the foolishness of the budget crisis since small businesses were seen as so critical to spurting greater economic growth in the U.S.

"The idea that we will be losing 956,000 jobs in the small business area is just a staggering effect of sequestration that people need to take into account," Ms. Blakey said.

AIA this week orchestrated congressional visits by hundreds of business people from small businesses that provide components for the aerospace and defence industry. Ms. Blakey said many were already seeing orders dry up and were having to cut jobs.

The U.S. Small Business Administration estimates that half of all private-sector workers and generated 65% of net new jobs over the past 17 years, and were responsible for about one-third of U.S. exports.

Ms. Blakey said the latest research proved the budget cuts that would occur under sequestration would have a widespread impact on the U.S. economy, but she also worried about the impact on technological development since small businesses typically file more patent applications than larger ones.

Small businesses also accounted for 20% of prime contracts awarded by the Pentagon in 2011, and 35% of subcontracts, AIA said.

Mackenzie Eaglen, resident fellow at the Marilyn Ware Center for Security Studies, said the loss of smaller suppliers could drive future weapons costs higher since many of those companies were sole-source providers for ships, warplanes and other arms programs.



J.P. MOZCZULSKI FOR NATIONAL POST

Customers want a more intimate experience

SERVICE
Continued from Page FP1

"When customers enter a store, they want personalized service, they want selection and they want that more intimate experience," Mr. Baer says. "Independent retailers have an edge here because they can be more intimate and more efficient."

When it comes to offering personalized service, lingerie retailers in particular know exactly what it takes to please customers enough that they come back and, what's more, encourage their friends to visit.

That has certainly proven to be true for mother and daughter founders of Le Bou-doir, the St. John's-based high-end lingerie store that recently won the industry trade publication's Best of Intimate's Choice award at the eighth-annual Intimate Emmy awards in New York this summer. In fact, nine out of 10 of Le Bou-doir's customers come from the Newfoundland store based on a referral and the referral comes as a result of excellent customer service, says Nicole Whittle, who co-owns the store with her mother, Mona Winter.

"When we started in 2010, the only option for women in St. John's was La Senza or Sears," Ms. Whittle says. "We wanted to bring something different to women — all women. There is so much more to the bra industry than small, medium, large. It's very specific. It's not only finding the right size, it's about finding the right shape to suit a woman's body. If we've nursed, lost weight, gained weight, gone through breast cancer, menopause, we all need something different."

That something different starts the minute someone walks in the store. "This is an intimate experience," Ms.

Whittle says. "When you walk in you have to feel comfortable. The atmosphere in the store, the appearance, the way everything is laid out is warm and welcoming because women are already nervous about shopping for intimate apparel."

Ms. Hellstrom, 40, spent a lot of time and energy on her store design for the same reason. When you walk into Coup de Foudre, it's very bouidoir-like and calming. Scents permeate the space. It's relaxing, open, uncluttered.

"When I was planning the strategy, I thought, if I'm a customer, what do I want to experience?" she says. "You can browse. There are a few samples out on mannequins but all the product is in drawers. The idea is that every body is different so I will fit you first before you really start looking at product."

For that reason, Ms. Whittle, 36, says the personality of sales staff is key. "You have to hit the right note with customers. You can always teach people about brands and fitting and styles, but you can't teach compassion. You need people who can put others at ease. Customers do not want to feel pre-judged. We often have customers in tears in the changing room because they find a bra that fits and there is a huge surge of confidence. My mother's goal is that women feel amazing when they leave and that's what we try to do."

In order to make that happen, listening to and understanding the individual customer is absolutely critical. "I spend a lot of time talking to my clients and that conversation happens typically in the most intimate setting, the actual dressing room when I'm doing the fitting," Ms. Hellstrom says. "There is no pressure to purchase anything. I'm more than happy to fit them because I want them to wear a proper garment. When you feel well put together, you stand taller and I want that for the women who walk in my store. I want to know that I'm helping someone feel more confident. It's about empowering women."

After the fitting, Ms. Hellstrom collects detailed customer information in a database. In addition to names, mail and email addresses, there is a section for sizing

and additional notes where she can include brand preferences, specific likes and dislikes, which styles work and which don't.

"This is a big part of my customer retention strategy, so that even if I'm not here, that information is here," Ms. Hellstrom says.

Both Ms. Hellstrom and Ms. Whittle use Facebook to share new product information and tips, but both say the key to building strong customer loyalty is paying attention and the personal touch.

Social media and marketing gets your name out there and great products are critical, but if you don't have a high level of customer service, people won't come back, Ms. Whittle says.

Financial Post

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COURT FILE NO. S12063

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C46, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GREAT BASIN GOLD LTD.

Take notice that on September 19, 2012, Great Basin Gold Ltd. commenced court-ordered restructuring proceedings under the Companies Creditors Arrangement Act (the "CAA").

KPMG Inc. has been appointed by the court as Monitor in Great Basin Gold's CCAA proceedings pursuant to the Order of the Supreme Court of British Columbia made on September 19, 2012 (the "Order").

As required by section 21(1)(d) of the CAA, notice is hereby given that a copy of the Order is filed on the website at www.kpmg.com/realtimepublic

The Monitor will post additional relevant information and documentation related to these proceedings on the Monitor's website as they become available. Interested persons may contact the Monitor directly for further information at:

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GREAT BASIN GOLD LTD.

TERM SHEET

October 12, 2012

Documents Required and Summary of Material Terms

1. Guarantee (the "**CS Guarantee**") by Great Basin Gold Inc. ("**GBGI**") of payment of the indebtedness owing by Great Basin Gold Ltd. ("**GBGL**") to Credit Suisse AG and Standard Chartered Bank (the "**Burnstone Lenders**") pursuant to the revised facility agreement dated as of December 5, 2011 among *inter alia*, GBGL, as borrower, and Credit Suisse AG and Standard Chartered Bank, as lenders, as amended prior to the date hereof
 - (a) CS Guarantee is in an unlimited amount and contains the terms and conditions set out in the debtor-in-possession term sheet dated September 19, 2012, as approved in the Initial CCAA Order;
 - (b) CS Guarantee is secured by a security agreement and pledge agreement granted by GBGI to the Burnstone Lenders;
 - (c) certificate by an officer of GBGI containing *inter alia* an incumbency certificate and a shareholder's resolution (pursuant to a unanimous sole shareholder declaration/resolution) of GBGI authorizing the CS Guarantee and security; and
 - (d) legal opinion by GBGI's attorneys with respect to GBGI, the CS Guarantee and security as to the due authorization, execution and delivery of the CS Guarantee and security and the enforceability of the security as to New York law.

2. Guarantee (the "**Computershare Guarantee**") by GBGI to Computershare Trust Company of Canada (the "**Trustee**") and the debentureholders of payment of the indebtedness owing by GBGL to the debentureholders pursuant to the trust indenture dated November 19, 2009, as amended prior to the date hereof (the "**Trust Indenture**")
 - (a) Computershare Guarantee is in an unlimited amount and in substantially the same form (other than the governing law) as the CS Guarantee;
 - (b) Computershare Guarantee is secured by a security agreement and pledge agreement granted by GBGI to the Trustee in substantially the same form as the security granted to the Burnstone Lenders;
 - (c) certificate by an officer of GBGI containing *inter alia* an incumbency certificate and a shareholder's resolution (pursuant to a unanimous sole shareholder

declaration/resolution) of GBGI authorizing the Computershare Guarantee and security; and

- (d) legal opinion by GBGI's attorneys with respect to GBGI, the Computershare Guarantee and security as to the due authorization, execution and delivery of the Computershare Guarantee and security and the enforceability of the security as to New York law.

3. Intercreditor agreement between Credit Suisse AG, Standard Chartered Bank and the Trustee on behalf of the debentureholders and consented to by GBGL and GBGI

- (a) providing for the sharing of payments to be made under the CS Guarantee and the Computershare Guarantee (collectively, the "**Guarantees**") as follows:

- (i) equal dollar for dollar distribution of all amounts to be paid pursuant to the Guarantees if the gross sale price of the Burnstone mine is less than U.S.\$100 million; and
- (ii) the Trustee shall receive 60% and Burnstone Lenders shall receive 40% of all amounts to be paid pursuant to the guarantees if the gross sale price of the Burnstone mine is equal to or greater than U.S. \$100 million,

and the same sharing arrangement shall apply if the amount or other consideration to be paid pursuant to the Guarantees result from a restructuring or other non-sale event;

- (b) if the Computershare Guarantee or security therefor is subsequently set aside for any reason, the Burnstone Lenders shall pay to the Trustee from the proceeds received by them from the CS Guarantee an amount equivalent to the amount Computershare would have received if the Computershare Guarantee or the security therefor had not been set aside. If the CS Guarantee or security therefor is subsequently set aside for any reason, the Trustee shall pay to the Burnstone Lenders from the proceeds received by it from the Computershare Guarantee an amount equivalent to the amount the Burnstone Lenders would have received if the CS Guarantee or the security therefor had not been set aside;

- (c) GBGL, GBGI, and Southgold Exploration (Pty) Ltd. ("**Southgold**") shall (each as applicable):

- (i) consent to this term sheet and agree to grant the CS Guarantee and security as set out in Clause 1 of this Term Sheet and Computershare Guarantee and security as set out in Clause 2 of this Term Sheet;
- (ii) represent that they have no present intention to file Chapter 11 proceedings in respect of GBGI;
- (iii) agree that no sale of the Hollister mine or any restructuring of the debt of GBGL will be undertaken without obtaining the prior approval of the British Columbia Supreme Court and that no sale of the Burnstone mine will be undertaken without obtaining the prior approval of the Business Rescue Practitioner and

any required approvals under Chapter 6 of the South African Companies Act, 2008; and

- (iv) shall, subject to applicable securities law, cause each of their respective subsidiaries to, consult with members of the ad hoc committee of debentureholders (the “**Ad Hoc Committee**”) and their counsel who sign confidentiality agreements in respect of the reorganization and/or sale of their (and their subsidiaries’) respective assets, and subject to restrictions contained in any sale process approval order approved by the British Columbia Supreme Court, provide copies of, *inter alia*, all offers and agreements of purchase and sale received to the DIP Lenders and the Ad Hoc Committee, provided, however, that the members of the Ad Hoc Committee shall have no consent or veto rights in respect of the decisions of GBGL and its subsidiaries related to any reorganizations and/or sales; provided, further, however, nothing herein shall limit any party’s rights to seek relief or object to any relief sought in any court with respect thereto, subject to section 5(m) below, and the debentureholders reserve all rights at law in connection with therewith.

- (d) The Intercreditor Agreement shall contain no indemnities from the Burnstone Lenders and the Trustee or the debentureholders to each other.

4. Amended Initial CCAA Order (to be effective on closing of the settlement)

- (a) authorizing and directing GBGL, as shareholder of GBGI, to take all commercially reasonable steps required to facilitate the delivery by GBGI of the CS Guarantee and the Computershare Guarantee, and the security and documents related thereto;
- (b) authorizing and directing the Monitor to provide to the representatives of the debentureholders and their counsel who sign confidentiality agreements, all the information that the Monitor deems appropriate, subject to applicable securities law;
- (c) authorizing and directing GBGL to consult with the members of the Ad Hoc Committee and their counsel who sign confidentiality agreements concerning as reasonably practicable and before any material decisions or steps are made or taken in connection with the CCAA process, the Business Rescue process in South Africa or any proposed restructuring or sale of any material assets of GBGL or any of its subsidiaries, including the development of any sales procedures or processes, subject to applicable securities law; provided, however, that the members of the Ad Hoc Committee, their representatives, and their counsel shall have no consent or veto rights in respect of such decisions or steps by GBGL or its subsidiaries; provided, further, however, nothing herein shall limit any party’s rights to seek relief or object to any relief sought in any court with respect thereto, subject to section 5(m) below, and the debentureholders reserve all rights at law in connection with therewith; and
- (d) authorizing and directing GBGL to pay the amounts referred to in section 5(e), increasing the administration charge to CDN\$2.4625 million and adding the counsel to the Ad Hoc Committee as beneficiaries of the administration charge.

5. Minutes of Settlement (with this term sheet attached)

- (a) all parties agree to the transactions contemplated by this term sheet, which shall be embodied in a settlement agreement (the "**Settlement Agreement**"), to which the CS Guarantee, the Computershare Guarantee, the Intercreditor Agreement, and any other documents required to implement the terms of the settlement shall be annexed;
- (b) the signatories of the Settlement Agreement and (as applicable) the ancillary documents shall be (i) the DIP Agent (as defined below), on behalf of the DIP Lenders (as defined below) and Credit Suisse, as facility and security agent for the Burnstone Lenders (the "**Burnstone Agent**"); (ii) each of the members of the Ad Hoc Committee; and (iii) GBGL, GBGI, and Southgold;
- (c) approval of the terms of the settlement shall be sought from the British Columbia Supreme Court on the basis of this Term Sheet on October 16, 2012, or as soon thereafter as the matter can be heard; provided, however, that the settlement shall not become effective until the date (the "**Effective Date**") of execution of definitive documentation;
- (d) the Trustee shall not be a signatory of the Settlement Agreement, but it shall be (i) informed of the support of the Ad Hoc Committee therefor prior to the filing of the court application seeking the court's approval and be provided with a copy of this Term Sheet; and (ii) provided with formal written notice of the court application to approve this Term Sheet and a request that such notice be transmitted to all beneficial holders of the debentures. In connection therewith, counsel for the Ad Hoc Committee shall represent, to its knowledge based on information provided to it by members of the Ad Hoc Committee, to the DIP Lenders, GBGL and GBGI and in the settlement agreement that such members currently hold at least 65%, in the aggregate, of the outstanding principal amount of the debentures issued under the Trust Indenture; and in the Settlement Agreement, the members of the Ad Hoc Committee shall undertake, in the event that a vote of the debentureholders were conducted prior to the Effective Date, to vote in favor of a settlement on the terms set forth in this Term Sheet;
- (e) approval of the transactions set forth in this Term Sheet by the Monitor;
- (f) agreement that each of Credit Suisse AG, in its capacity as agent (the "**DIP Agent**") for the lenders (the "**DIP Lenders**") under GBGL's debtor-in-possession credit facility (the "**DIP Facility**") and the Trustee (for the benefit of the debentureholders) shall receive 50% of the Burnstone Advisory Fee to the extent actually paid by Southgold;
- (g) payment by GBGL of all reasonable and documented legal fees, disbursements and related taxes of counsel for the Ad Hoc Committee (Fraser Milner Casgrain LLP, Brown Rudnick LLP, Werkmens and Associates LLP and Fox Rothschild LLP): (i) up to and including the date of the hearing to approve this Term Sheet by the British Columbia Supreme Court, up to a cap of CDN\$700,000; and, (ii) subsequent to such hearing, during the CCAA proceedings, Business Rescue proceedings and the restructuring or sale of GBGL and its subsidiaries or their assets, up to a cap of CDN\$125,000 per calendar month (the "**Monthly Cap**"), commencing the day following such hearing (provided that such maximum amount for October 2012 shall be CDN\$125,000 – not pro-rated), with any unused portion of any Monthly Cap being available to be applied to invoices for any

subsequent month; provided, however, that GBGL will not be obligated to pay any fees or expenses incurred by the Trustee's or Ad Hoc Committee's counsel in connection with objecting to, or otherwise challenging any sale or reorganization transaction in any court or any other relief requested by GBGL and/or the DIP Lenders in any court;

- (h) subject to completion of this settlement, agreement and payment of the amounts referred to in (g)(i), agreement of the amounts referred to in (g)(ii), and without prejudice to any position taken by the DIP Lenders on the same issues, the Ad Hoc Committee shall not oppose the approval of the proposed KERP or the retention of CIBC World Markets as financial advisor to GBGL;
- (i) the parties shall, after the Effective Date, provide to the British Columbia Supreme Court for entry the September 27, 2012 order of the British Columbia Court as amended to (i) provide for the withdrawal by the Ad Hoc Committee of its contention that payments under the original GBGL guarantee and with respect to the Advisory Fee constituted payments of interest at a criminal rate; and (ii) include a request that the Order of the Honourable Madam Justice Fitzpatrick made herein on September 19, 2012 (the "**DIP Approval Order**"), be amended to delete the provision therein requiring that no payment be made with respect to the GBGL guarantee or the Advisory Fee without the further order of the Court; provided, however, that obtaining such amendment of the DIP Approval Order is not a condition precedent to effectiveness of the Settlement Agreement;
- (j) subject to the terms hereof, the Ad Hoc Committee agrees to the Milestone Dates set out in the DIP Facility term sheet (as amended) as set out below:
 - 1. By no later than December 15, 2012, a preliminary plan for the repayment, refinancing or restructuring of all outstanding debts of Antler Peak and Rodeo Creek, acceptable to the DIP Lenders, shall have been delivered to the DIP Lenders;
 - 2. By no later than January 15, 2013, the repayment, refinancing or restructuring of all outstanding debts of Antler Peak and Rodeo Creek shall have been effected (the "**Repayment/Refinancing Milestone**");
 - 3. If the Repayment/Refinancing Milestone is not achieved, the sale of the Hollister operations shall have been completed on or before March 15, 2013;
 - 4. On or prior to December 15, 2012, GBGL shall have received indications of interest or letters of intent, acceptable to the DIP Lenders, for the direct or indirect sale of the Burnstone mine;
 - 5. On or prior to January 15, 2013, GBGL shall have entered into, or cause to be entered into, a definitive agreement, acceptable to the DIP Lenders, for the direct or indirect sale of the Burnstone mine; and
 - 6. On or prior to March 31, 2013, the sale of the Burnstone mine shall have closed.

- (k) a representation by the DIP Agent and the Burnstone Agent that each has not seen nor is either aware of any offer or term sheet by a prospective buyer of the Burnstone mine or the Hollister mine submitted by such buyer after the date of the Initial CCAA Order;
- (l) the current litigation in British Columbia (in respect of the comeback hearing and all related relief being sought and in respect of the application to the British Columbia Court of Appeal to reconsider the leave denial) and in Nevada (collectively, the “**Noteholder Litigation**”) shall be adjourned without prejudice until the transactions summarized by the term sheet have been completed and, upon such completion, (i) the current objections by the Ad Hoc committee of debentureholders shall be withdrawn with prejudice; provided that GBGL may obtain a CCAA stay extension to December 15, 2012 without prejudice to the debentureholders rights in respect of such adjourned British Columbia comeback hearing; and (ii) the Nevada action shall be dismissed with prejudice;
- (m) to the extent that the Ad Hoc Committee or any of the members thereof intends (i) to object to any application or motion filed in the CCAA proceeding, notice of such objection or other response shall be served on counsel for the Agent and filed not less than two (2) business days after receipt of the motion or application to which it responds; and (ii) to commence proceedings or to file a pleading or otherwise seek relief from a court other than the British Columbia Supreme Court, they may only do so after providing the Agent, Canadian and US counsel to the GBGL and GBGI, and the Monitor and its counsel with (i) five (5) business days’ notice of such action or application; or (ii) such other notice as the circumstances reasonably permit; provided, however, that in no event shall any hearing with respect to any relief requested by the Ad Hoc Committee take place on less than twenty-four (24) hours’ notice. Nothing in this subparagraph is intended or shall be construed to abridge minimum notice periods under applicable law;
- (n) subject to consummation of the transactions contemplated hereby, waiver of all costs awarded against the Ad Hoc Committee or its members; and
- (o) no party shall take any step which prejudices or could reasonably be expected to prejudice any right or benefit of the DIP Agent, the Burnstone Agent, the DIP Lenders, the Burnstone Lenders, the Trustee or any debentureholder in connection with the transactions contemplated by this Term Sheet; provided, however, that the DIP Lenders may increase the maximum amount of the DIP Facility above US\$35 million after consultation with the Ad Hoc Committee; provided, further, that (i) the Ad Hoc Committee shall have no consent or veto rights with respect to any such increase in the maximum amount of the DIP Facility; and (ii) subject to section 5(m) hereto, nothing herein shall limit any party’s rights to seek relief or object to any relief sought in any court with respect thereto.