

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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

**PRE-FILING REPORT OF THE PROPOSED MONITOR,
KPMG INC.**

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1.0 INTRODUCTION

1.1 KPMG Inc. ("**KPMG**" or the "**Proposed Monitor**") understands that Great Basin Gold Ltd. ("**GBGL**" or the "**Company**") intends to bring an application before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, *inter alia*, a stay of proceedings until October 19, 2012 and appointing KPMG as Monitor (the "**Monitor**"). The proceedings to be commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".

1.2 The purpose of this pre-filing report is to provide this Honourable Court with information regarding the following:

- a. KPMG's qualifications to act as Monitor (if appointed) and an overview of KPMG's involvement in this matter to date;
- b. A general background to the proposed CCAA Proceedings;
- c. A business overview of the Company;
- d. The restructuring efforts of the Company to date;
- e. The existing cash management system of GBGL;
- f. The proposed funding of the CCAA Proceedings, including an overview of the Company's 13-week cash flow forecast;
- g. The proposed Debtor-in-Possession ("**DIP**") financing;
- h. The Proposed Monitor's preliminary observations.

2.0 RESTRICTIONS AND SCOPE LIMITATIONS

- 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 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 defined in this report are used as defined in the affidavit of Lou Van Vuuren sworn September 19, 2012 filed in support of the Company's application for relief under the CCAA (the "**Van Vuuren Affidavit**"). References herein to the "**GBG Group**" are references to the consolidated group of GBG entities.
- 2.5 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 unless otherwise stated.

3.0 KPMG'S QUALIFICATIONS TO ACT AS MONITOR

- 3.1 KPMG was officially engaged by GBGL on September 18, 2012 to provide contingency planning services to the Company's Interim Chief Financial Officer in connection with the Company's restructuring efforts including providing assistance to the Company should it need to prepare for formal proceedings under the CCAA. Up to a week ago, KPMG was provided with background information regarding the financial and other affairs of the GBG Group.
- 3.2 KPMG is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Neither KPMG nor any of its representatives have been at any time in the two preceding years the auditor, a director, officer or employee of the Company or otherwise related to the Company or to any director or officer of the Company or a trustee (or related to any such trustee) under a trust indenture issued by the Company or any person related to the Company.
- 3.3 KPMG is a wholly-owned subsidiary of KPMG LLP, a Canadian professional services firm providing amongst other things, audit, tax and advisory services. KPMG LLP is the Canadian member firm of KPMG International Co-operative ("KPMG International"), a Swiss entity. The senior KPMG professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Accountants, Chartered Insolvency and Restructuring Professionals and/or licensed Trustees in Bankruptcy (Canada), many of whom have acted in cross-border restructurings and CCAA matters of a similar nature and scale in British Columbia and in other provinces in Canada.
- 3.4 KPMG has consented to act as Monitor of the Company should this Honourable Court grant GBGL's request to commence the CCAA Proceedings.
- 3.5 Although KPMG has received a certain amount of background information regarding the financial affairs of GBGL and the GBG Group, the Proposed Monitor has had only limited involvement with this matter to date and hence its knowledge of the current state of affairs, the restructuring plans of the Company, and the Company's proposed debtor-

in-possession loan facility (the “**DIP Facility**”) is accordingly, still developing. Accordingly, the Proposed Monitor will need more time to fully consider the financial affairs and restructuring plans of the Company to make more thorough recommendations to the Court thereon.

4.0 GENERAL BACKGROUND TO THE PROPOSED CCAA PROCEEDINGS

Identification of the Company

- 4.1 Relief in the CCAA Proceedings is sought by GBGL, the parent company of the GBG Group. The Company operates directly and through 22 subsidiaries incorporated in various jurisdictions including but not limited to British Columbia, South Africa and Nevada.
- 4.2 An organization chart of the GBG Group is appended to the Van Vuuren Affidavit.

5.0 BUSINESS OVERVIEW

Business Operations

- 5.1 A fulsome description of the Business Operations of the GBG Group is provided in the Van Vuuren Affidavit. Certain summary information is provided below.
- 5.2 The Company is an international mining company engaged in exploration, development and operation of gold properties. The company is currently focused on two gold projects, the Burnstone gold mine located in the Witwatersrand Basin goldfield of South Africa (hereinafter referred to as “**Burnstone**” or the “**Burnstone Property**”) and the Hollister gold mine and associated operations located on the Carlin Trend in Nevada, USA (hereinafter referred to as “**Hollister**” or the “**Hollister Property**”). We are advised that the Burnstone Property hosts proven and provable gold reserves of approximately 6 million ounces while Hollister hosts a proven reserve of approximately 500,000 ounces with another 1 million ounces of “probable” reserves. In addition to Burnstone and Hollister, the Company holds interests in early stage mineral prospects located in Mozambique and Tanzania. However, we are advised that the Burnstone Property and

Hollister Property are its only material properties and together constitute all or substantially all of the Company's business operations.

- 5.3 The Company is the publicly-traded parent of the GBG Group and its shares are listed on the Toronto Stock Exchange (TSX:GBG), the New York Stock Exchange Amex (NYSE MKT: GBG), and the Johannesburg Stock Exchange (JSE: GBG). It also has a class of unsecured convertible debentures listed on the TSX (TSX:GBG.CB) and warrants (TSX:GBG.WT).
- 5.4 The Company's authorized share capital consists of an unlimited number of common shares without par value. As of June 30, 2012, there were 552,436,436 shares issued and outstanding, 38,352,500 warrants as well as 16,776,601 share options outstanding.

The Company's Debt Profile

- 5.6 A detailed account of the Company's financial debt obligations is included in the Van Vuuren Affidavit, and is summarized in the table below (See paragraphs 33-41 of the Van Vuuren Affidavit). As at June 30, 2012, and at December 31, 2011, the Company had the following financial debt obligations:

Great Basin Gold Limited - Schedule of Financial Indebtedness		
USD (millions) - As at July 2012		
	July 2012	Note
Term Loan I	150.0	1
Term Loan II	50.5	2
Convertible Debentures	126.5	3
Red Kite	25.0	4
Total	352.0	
*Information above provided by GBGL's Financial Advisor		
Notes:		
1. The Term Loan I is secured against the assets of Burnstone. The total facility size of \$150 million and is fully drawn. The repayment period is 16 quarterly instalments starting in March 2013. The interest is 4.0% + US\$ LIBOR with a maturity period of 2013-2016.		
2. The Term Loan II is secured against the assets of the Nevada Operations. The total facility size of \$70 million is fully drawn, of which \$19.5 million has been repaid and is no longer available. The loan is being repaid over 18 quarterly consecutive instalments starting in September 2011. The interest is 3.75% + US\$ LIBOR with a maturity period of 2011-2015.		
3. Convertible Debentures: The Convertible Debentures are unsecured obligations of the Company. As part of their terms, If the Company is acquired or where there is a change of control transaction, the Company must offer to purchase the debentures at par. Selling the Nevada Operations or Burnstone individually would not trigger the mandatory offer to purchase. In the event of a spin-off, the conversion price would have to be adjusted by the per share value of the assets spun out. The debentures mature on November 30, 2014 and carry an 8% coupon.		
4. Red Kite relates to a prepayment of \$25 million that the GBG Group will repay in monthly instalments. The agreement is with Rodeo Creek Gold, Inc., a subsidiary of GBGL (with GBGL as the guarantor).		

6.0 RESTRUCTURING EFFORTS TO DATE

Overview

- 6.1 On June 14, 2012, the Company engaged CIBC World Markets Inc. (“**CIBC WM**” or “**Financial Advisor**”) to advise the Company in respect of potential sale transactions or restructuring transactions, after the Company had received an unsolicited offer to purchase all of its shares in May, 2012.

- 6.2 We understand that the special committee of independent directors was formed to consider that offer and other alternatives available to the Company. After extensive legal, technical, operational and financial due diligence, it was determined that the party that made the unsolicited offer would not proceed with the transaction.
- 6.3 Other parties also expressed interest. Access to a data room was provided under confidentiality provisions. Several proposals were received in July 2012. However, despite further due diligence, no agreement was reached with any party.
- 6.4 CIBC WM has contacted and continues to contact a number of potentially interested parties. We are advised that to date, 29 parties have signed confidentiality agreements to obtain access to the data room, 26 in relation to the Nevada operations and 3 in relation to the Burnstone operations. Confidentiality agreements are currently being negotiated with additional parties.
- 6.5 We are advised by CIBC WM and Company Counsel that discussions have also taken place regarding debt financing for the Company with 12 parties including for debtor-in-possession (DIP) loan facilities secured against the Nevada operations and the Burnstone operations. We understand that it is very difficult to obtain DIP loan facilities secured against the Burnstone assets because of difficulties in obtaining valid priming charges under South African bankruptcy law. In addition, in order to obtain a DIP loan facility that would charge the Nevada operation, a priming charge would have to be obtained in Chapter 11 proceedings over the Existing Hollister Credit Facility. Although we are advised that discussions continued with several parties, with the exception of the Credit Suisse DIP loan facility discussed below, no other financing alternatives became available.
- 6.6 In addition to the Proposed CCAA Proceeding, the Company ceased operations at the Burnstone mine on September 11, 2012, and on September 14, 2012, Southgold Exploration (Pty) Ltd., a subsidiary of GBGL, filed for protection under business rescue proceedings under Chapter 6 of the South African Companies Act, 2008.

7.0 CASH MANAGEMENT SYSTEM

7.1 The particulars of the Company's cash management system and existing bank accounts (the "**Cash Management System**") are provided in the Van Vuuran Affidavit.

7.2 We are advised that the Cash Management System is critical to the continued management of collections, disbursements and intercompany payments, as well as to maintain the funding and banking arrangements already in place. In addition, we are advised by management and concur that, as a result of the structure of the DIP Facility, the use of an existing or similar Cash Management System to fund the Company's ongoing requirements will be critical, as it is contemplated that all advances under the DIP Facility will be made to the Company, who will then lend on these funds through various intra group loan facility agreements approved by the DIP Lenders (the "**DIP Lenders**"), and pledged to the DIP Lenders as collateral.

7.3 The current Cash Management System includes certain accounting controls to enable the Company, as well as the Proposed Monitor, to trace funds through the system, and ensure that they are received and disbursed in accordance with any Initial Order approved by this Honourable Court and the DIP Facility agreement.

8.0 CASH FLOW FORECAST FOR THE PERIOD ENDING DECEMBER 14, 2012

8.1 The Company, with the input of the Proposed Monitor, has prepared the cash flow forecast of the Company (the "**Cash Flow Forecast**") for the 13-week period ending December 14, 2012 (the "**Cash Flow Period**").

8.2 A copy of the Company's Cash Flow Forecast is attached to this report as **Schedule A**. The Cash Flow Forecast provides a breakdown of sources and uses of cash by operation region (Canada, U.S., and South Africa).

8.3 A summary of the Cash Flow Forecast is set out in the table below and presents regular cash inflows and outflows, costs related to the CCAA Proceedings, as well as sources of funding from the DIP Facility.

Great Basin Gold Ltd
Unaudited Summary of Forecast Cash Flow (Note 1)
For the 13-Week Period Ending December 14, 2012
(US\$000's)

	Consolidated	Canada	US - Hollister	South Africa – Burnstone
Forecast Cash Inflow				
Gold sales and other	40,416	-	37,003	3,413
Forecast Total Cash Inflow	40,416	-	37,003	3,413
Forecast Cash Outflow				
Suppliers	(30,531)	(210)	(25,200)	(5,121)
Payroll and Benefits	(18,339)	(2,009)	(6,000)	(10,330)
Royalties	(2,300)	-	(2,300)	-
Insurance	(1,300)	(301)	(641)	(358)
Other	(904)	(254)	-	(650)
Professional Fees	(7,164)	(6,954)	-	(210)
Total Forecast Outflow	(60,538)	(9,728)	(34,141)	(16,669)
Net Cash Flow before financing	(20,122)	(9,728)	2,862	(13,256)
Red Kite Repayment (Note 3)	(9,535)	-	(9,535)	-
DIP Financing Fees	(784)	(784)	-	-
DIP and Other Interest	(2,380)	(699)	-	(1,681)
Net Cash Flow, before DIP	(32,821)	(11,211)	(6,672)	(14,937)
DIP Advances	31,181	31,181		
Intercompany receipts (disbursements)	-	(24,181)	10,000	14,181
Net Cash Flow	(1,640)	(4,211)	3,328	(756)
Cash, beginning of period (September 15, 2012) (Note 2)	6,254	4,452	110	1,692
Cash, end of period (December 14, 2012)	4,614	242	3,438	935

Note 1 Readers are cautioned to read the Restrictions and Scope Limitations 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.

Note 3 Red Kite is a third party which sells gold on behalf of the Hollister property for a fee. Red Kite has advanced money to the Company in the past and the above represents a partial repayment of those advances.

8.4 With respect to the Cash Flow Forecast:

- a. The Company currently expects to have consolidated cash resources in the order of approximately \$6.3 million available during the week the CCAA Proceedings are expected to commence.
- b. During the Cash Flow Period, The GBG Group are forecast to experience consolidated net cash outflows before DIP advance of approximately \$32.8 million on a consolidated basis, made up of the following net cash outflows by geographical region:
 - i. GBG Canada – net cash outflow of \$11.2 million;
 - ii. GBG U.S. – net cash outflow of \$6.7 million; and
 - iii. GBG South Africa – net cash outflow of \$14.9 million.
- c. The Cash Flow Forecast contemplates advances under the DIP of \$31.2 million, including in excess of \$23 million required in the first two weeks of the CCAA Proceeding. The cash flow currently forecasts \$4.6 million in cash remaining at the end of the Cash Flow Period.
- d. The following is a general breakdown of the \$32.8 million net cash outflow in the Cash Flow Period, by operating and other key funding categories:
 - i. Operating net cash outflow - \$13.0 million (including approximately \$7.0 million in South Africa employee severance costs and \$8.0 million in payments to overdue Hollister creditors);
 - ii. Professional fees - \$7.2 million;
 - iii. Red Kite Repayment - \$9.5 million (monthly repayment of a gold advance received by the GBG Group);
 - iv. Interest and financing fees - \$2.4 million; and

- v. Other outflows - \$0.7 million.
 - e. Management expects to fund the cash flow requirements of the business with current cash resources on hand and the DIP Facility. Various inter-jurisdictional funding requirements are forecast to be funded through intercompany advances from the Company, as required, to maintain positive cash positions at each operating jurisdiction.
 - f. Intercompany advances are expected to be made by the Company to the GBG Group in the order of \$24.2 million which will be funded entirely by the DIP Facility.
- 8.5 Assuming the Company has access to the DIP Facility (substantially in the form described further in this report), and gold production at the Hollister facility continues in line with the current operating plan, the Cash Flow Forecast indicates that the Company has available liquidity to fund operating and various financing costs over the Cash Flow Period.
- 8.6 The Proposed Monitor continues to conduct its assessment of the Company's cash flows and will report to the Court in prescribed form on the reasonableness of the Cash Flow Forecast in the short term. Management's representation letter with respect to the Company's cash flow is attached to this report as **Schedule B**.

9.0 DEBTOR IN POSSESSION ("DIP") FINANCING

- 9.1 Senior Management and its advisors are of the view that an interim CCAA financing facility is a requirement in the CCAA Proceedings. Among other things, the following have been referenced in the Van Vuuren Affidavit as contributing to the immediate need for funding:
- a. Technical and infrastructure issues at the Burnstone and Hollister properties, resulting in unfavourable operating performance in the second quarter of 2012, which in turn resulted in working capital issues and significant liquidity pressure at paragraphs 6 and 7; and

- b. The Cash Flow forecast of the Company indicates that it cannot fund its immediate cash requirements and ongoing restructuring activities without additional financing at paragraph 81. We are advised that the Company’s immediate cash needs in South Africa include providing severance payments to terminated employees to avoid significant unrest and properly place the property under care and maintenance made in a safe, environmentally sound and responsible manner.

9.2 The Proposed Monitor is also advised that:

- a. after a canvassing of the market by the Financial Advisor, the only source of committed financing the Company could obtain is in the form of debtor-in-possession financing from its existing lenders Credit Suisse AG and Standard Chartered Bank (the “**Existing Lenders**”); and
- b. The DIP Facility Term Sheet (the “**DIP Term Sheet**”) is a culmination of a rigorous negotiation between the Company, the Existing Lenders and their respective advisors.

9.3 The DIP Term Sheet is attached to the Van Vuuren Affidavit and summarized below.

Great Basin Gold Limited Summary of the DIP Facility Term Sheet	
Stated Amount of Facility	<ul style="list-style-type: none"> • Availability up to a maximum US\$35 million (i) up to US\$25 million for Southgold Exploration Proprietary Limited (the “Burnstone Intragroup Borrower”); (ii) up to US\$10 million for Rodeo Creek Gold, Inc. and Antler Peak Gold Inc. (the “Hollister Intragroup Borrower,” and together the “Intragroup Borrowers”)
Required Financial Close	<ul style="list-style-type: none"> • September 20, 2012 (4 pm South Africa time)
Borrower	<ul style="list-style-type: none"> • Great Basin Gold Ltd. with cross guarantees of the DIP Loan Facility by all Borrower subsidiaries.
DIP Lenders	<ul style="list-style-type: none"> • Credit Suisse AG, Standard Chartered Bank, and other lenders from time to time party to the DIP Loan Facility
Use of DIP Loan Proceeds	<ul style="list-style-type: none"> • General corporate purposes in accordance with the approved budget (including retrenchment packages and overdue suppliers), as approved by the DIP Lenders together with reasonable and customary permitted variances, the monitor appointed in the CCAA Proceeding, and the Canadian Court. • Funds can be advanced from the Company to Burnstone Intragroup Borrower and Hollister Intragroup Borrower subject to an intragroup loan facility
Fees & Interest	<ul style="list-style-type: none"> • LIBOR + 10%

	<ul style="list-style-type: none"> • Upfront 2% free paid at Financial Close • 4% Commitment Fee, payable monthly in arrears • 15% of net proceeds of a sale of the Burnstone facility ⁽¹⁾
Milestones	<ul style="list-style-type: none"> • Refinancing of Hollister Intragroup Borrower by December 15, 2012, if not, sale of Hollister assets by March 15, 2013 • Definitive sales agreement of the Burnstone assets by December 15, 2012 and a transaction closed by March 31, 2013
Availability	<ul style="list-style-type: none"> • Six months, subject to up to three one-month extensions subject to a 1% extension fee and in the sole discretion of the DIP Lender • Subject to termination or cancellation under the DIP Loan Facility
Security	<ul style="list-style-type: none"> • Super priority over all assets and property of the Borrower and Guarantors and DIP Charge
Cross-collateralization	<ul style="list-style-type: none"> • Great Basin Gold, Inc. shall guarantee the obligations of Great Basin Gold Ltd. with respect to the Existing Burnstone Credit Facility which is approximately \$150M. This effectively provides additional security of the Hollister property to the Existing Burnstone Lenders.
Other Significant Terms	<ul style="list-style-type: none"> • Voluntary pre-payments result in permanent reduction to the DIP Facility • It is not the intention of the Hollister Intragroup Borrower to seek Chapter 11 relief in the US even though a CCAA filing is an event of default • Hollister Intragroup Borrower will also waive the requirement to replenish the Debt Service Reserve Account (“RDSA”) • Existing Burnstone Lenders have agreed to forebear subject to an interest payment being included in the first DIP advance • Proceeds of any asset sales or financing will first be applied to the intragroup borrowers of the specific mine site • Other covenants which appear customary under the circumstances
Repayment	<ul style="list-style-type: none"> • Must be repaid in full upon the earliest of (i) maturity of the relevant facility, (ii) breach of any material terms, and (iii) dismissal or termination of the CCAA Proceedings and/or Business Rescue Proceedings

- (1) Net sale proceeds is defined as proceeds in excess of the sum of (i) the amount of any advances to the Burnstone Intragroup Borrower under the Burnstone Credit Facility; (ii) the amount outstanding under the Existing Burnstone Credit Facility; (iii) any costs related to the sale and (iv) any portion of the GBGI Guarantee Facility.

9.4 We make note of the following with respect to certain provisions of the DIP Term Sheet:

Costs

9.5 The costs of the proposed DIP loans are significant in terms of interest and fees. Although they are on the upper range of those observed historically by the Proposed Monitor, such costs fell within a range of costs for similarly risked precedent loans that the Financial Advisor provided the Proposed Monitor, with the exception of the 15% fee to be paid to the DIP Lenders on any net proceeds from the sale of the Burnstone Property, which the Proposed Monitor is not in a position to evaluate at this time.

However, based on a sale value of \$643 million¹, this payment could be as high as \$65 million to \$70 million (based on the calculation outlined in the DIP Term Sheet).

The GBGI Guarantee

- 9.6 General information regarding the guarantee of the obligations of GBGL with respect to the Existing Burnstone Credit Facility (the “**GBGI Guarantee**”), including the rationale as to why the Company and its Board of Directors believes it is in the best interests of the Company to allow the guarantee as part of entering into the arrangements contemplated by the DIP Term Sheet, is detailed in the Van Vuuren Affidavit (at paragraphs 85-88).
- 9.7 The GBGI Guarantee contemplated by the DIP Term Sheet provides the Existing Burnstone Lenders with additional security on the Existing Burnstone Credit Facility (a pre-CCAA credit facility), against the assets of the Hollister property.
- 9.8 Subject to paragraph 9.9 below, should realizations from any sale of the Burnstone Property fall below the obligations under the Burnstone Credit Facility and the DIP Facility obligations under the Burnstone Intragroup Loan Facility, the GBGI Guarantee could be called upon and value could be provided to the Existing Burnstone Lenders which would have fallen to other stakeholders in the absence of the GBGI Guarantee (Hollister equity holders directly, and indirectly including the Company’s debenture holders and other unsecured creditors generally).
- 9.9 In addition, the Van Vuuren Affidavit, at paragraph 38, indicates that written consent must be provided by the Minister of Mineral Resources for any encumbrance to be valid and enforceable. The paragraph further indicates that Credit Suisse does not currently have such consent with respect to the Burnstone Security, albeit an application of such consent has been made. To the extent that a significant component of the Burnstone asset value is not secured and the related interest perfected, the GBGI Guarantee could become significantly more valuable to its potential beneficiaries.

¹ This is the carrying value of the Burnstone Property on the accounting records of the Company as referenced in the Van Vuuren Affidavit at paragraph 90.

9.10 In addition to the above, the Proposed Monitor is advised that:

- a. The Existing Lenders are not prepared to provide the DIP Facility in the absence of the GBGI Guarantee;
- b. The Company believes that the underlying value of the Burnstone Property is significant and enough to justify its current book carrying value of approximately \$643 million;
- c. The Board of Directors of the Company have considered the effects of the GBGI Guarantee and believe that the risk of a Burnstone property sale realizing below the Existing Burnstone Facility obligations and the DIP obligations under the Burnstone Intragroup Loan Facility is much lower than the adverse enterprise value deterioration that a GBG Group liquidity failure could cause.

9.11 The Proposed Monitor has not validated the potential financial consequences of the GBGI Guarantee nor has it conducted any assessment of the value of the Burnstone or Hollister properties. It does appear evident from the Cash Flow Forecast and representations by management and the Company's advisors that funding is urgently required to maintain and preserve the value of the assets and operations and carry out the Company's restructuring plans. It also appears that the only source of additional funding is from the Existing Lenders, under the specific terms of the DIP Term Sheet.

10.0 **THE PROPOSED MONITOR'S PRELIMINARY OBSERVATIONS**

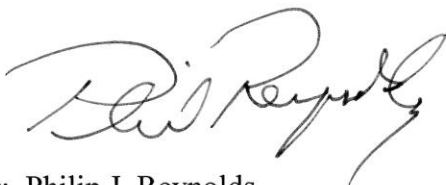
10.1 The Proposed Monitor respectfully makes the following preliminary observations and comments to this Honourable Court:

- a. The Proposed Monitor has been involved in this matter for a limited period of time. However, in that time, KPMG has received a certain amount of background information which has allowed it to ascertain the general status and financial circumstance of the Company, albeit at a high level;

- b. To date, it appears as if the Company has been operating in good faith in an effort to preserve the value of the Company and position itself to reorganize its affairs to the benefit of its stakeholders;
- c. In the short term, there appears to be an immediate need to secure the necessary financing to fund continuing operations and to continue to review its restructuring alternatives, which could include a full or partial sale of its assets, a refinancing of its debt or other recapitalization, a downsizing, operational improvement of its business, or otherwise;
- d. As noted prior, in regard to securing short term financing, the Company's options appear to be limited to one source, being the DIP Facility as described previously in section 9 of this report;
- e. The Monitor has reviewed the Company's draft application in this matter and related draft motion materials and has not observed any material objectionable matters to date, except as highlighted in section 9 of this report. In this regard, Senior Management's rationale for undertaking its current direction has been discussed.
- f. The Proposed Monitor, if appointed Monitor, will work diligently with the Company and provide a more thorough report on its financial affairs and restructuring plans in the coming weeks.

All of which is respectively submitted to this Honourable Court this 19th day of September, 2012.

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



Per: Philip J. Reynolds
Senior Vice President

SCHEDULE A (CONTINUED)

Great Basin Gold Ltd. - CANADA
 Consolidated Weekly Cash Flow Forecast
 For the 13-week period ending December 14, 2012
 in \$ 000's USD (except for ounces and price of Gold)

Week Ending	1 21-Sep	2 28-Sep	3 5-Oct	4 12-Oct	5 19-Oct	6 26-Oct	7 2-Nov	8 9-Nov	9 16-Nov	10 23-Nov	11 30-Nov	12 7-Dec	13 14-Dec	13 Week Total
Gold Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Disbursements														
Suppliers	-	-	-	-	-	(90)	-	-	-	-	(120)	-	-	(210)
Payroll and Benefits	-	(289)	(300)	-	-	(1,280)	-	-	-	(140)	-	-	-	(2,009)
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	(123)	(179)	-	-	-	-	-	-	-	-	-	-	(301)
Other	-	(54)	-	-	-	-	(100)	-	-	-	(100)	-	-	(254)
Professional Fees	(2,124)	-	-	(1,917)	-	-	(100)	-	(1,623)	-	-	-	(1,290)	(6,954)
Total Cash Disbursements	(2,124)	(465)	(479)	(1,917)	-	(1,370)	(100)	-	(1,623)	(140)	(220)	-	(1,290)	(9,728)
Net Cash Flow Before Financing	(2,124)	(465)	(479)	(1,917)	-	(1,370)	(100)	-	(1,623)	(140)	(220)	-	(1,290)	(9,728)
Red Kite Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Financing Fees	(719)	(9)	(9)	(8)	(8)	(6)	(6)	(3)	(3)	(3)	(3)	(3)	(3)	(784)
Interest	(20)	(47)	(47)	(50)	(50)	(54)	(54)	(63)	(63)	(63)	(63)	(63)	(63)	(699)
Net Cash Flow After Financing	(2,864)	(521)	(535)	(1,975)	(58)	(1,431)	(160)	(66)	(1,689)	(206)	(286)	(66)	(1,356)	(11,211)
DIP Advances	10,000	13,181	-	1,500	-	2,000	-	4,500	-	-	-	-	-	31,181
Interco disbursement	(11,000)	(12,181)	-	-	-	-	-	(1,000)	-	-	-	-	-	(24,181)
Net Cash Flow post DIP	(3,864)	479	(535)	(475)	(58)	569	(160)	3,434	(1,689)	(206)	(286)	(66)	(1,356)	(4,211)
Cash & Equivalents Position														
Opening Cash Position	4,452	589	1,068	533	58	0	570	409	3,844	2,155	1,949	1,663	1,597	4,452
Net Cash Flow incl. DIP	(3,864)	479	(535)	(475)	(58)	569	(160)	3,434	(1,689)	(206)	(286)	(66)	(1,356)	(4,211)
Closing Cash Position	589	1,068	533	58	0	570	409	3,844	2,155	1,949	1,663	1,597	242	242

**SCHEDULE A
(CONTINUED)**

Unaudited - Prepared by Management

Great Basin Gold Ltd - United States
Consolidated Weekly Cash Flow Forecast
For the 13-week period ending December 14, 2012
in \$ 000's USD (except for ounces and price of Gold)

Week Ending	1 21-Sep	2 28-Sep	3 5-Oct	4 12-Oct	5 19-Oct	6 26-Oct	7 2-Nov	8 9-Nov	9 16-Nov	10 23-Nov	11 30-Nov	12 7-Dec	13 14-Dec	13 Week Total
Cash Receipts														
Nevada Ounces Sold	1,527	1,667	2,000	2,100	2,100	2,100	2,000	1,500	1,500	1,500	1,500	2,000	2,000	23,494
Nevada Price per Ounce	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575
	2,405	2,626	3,150	3,308	3,308	3,308	3,150	2,363	2,363	2,363	2,363	3,150	3,150	37,003
Gold Sales	2,405	2,626	3,150	3,308	3,308	3,308	3,150	2,363	2,363	2,363	2,363	3,150	3,150	37,003
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	2,405	2,626	3,150	3,308	3,308	3,308	3,150	2,363	2,363	2,363	2,363	3,150	3,150	37,003
Cash Disbursements														
Suppliers	(1,950)	(9,850)	(1,100)	(1,550)	(1,100)	(1,550)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	(1,300)	(1,300)	(25,200)
Payroll and Benefits	(250)	(750)	(250)	(750)	-	(1,000)	-	(1,000)	-	(1,000)	-	(1,000)	-	(6,000)
Royalties	-	(800)	-	-	-	-	(1,500)	-	-	-	-	-	-	(2,300)
Insurance	-	(72)	(190)	-	-	-	(190)	-	-	-	(190)	-	-	(641)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Disbursements	(2,200)	(11,472)	(1,540)	(2,300)	(1,100)	(2,550)	(2,790)	(2,100)	(1,100)	(2,100)	(1,290)	(2,300)	(1,300)	(34,141)
Net Cash Flow Before Financing	205	(8,847)	1,610	1,008	2,208	758	360	263	1,263	263	1,073	850	1,850	2,862
Red Kite Repayment	(996)	-	-	(2,783)	(162)	-	-	(1,988)	(957)	-	-	-	(2,650)	(9,535)
DIP Financing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow After Financing	(791)	(8,847)	1,610	(1,775)	2,046	758	360	(1,725)	306	263	1,073	850	(800)	(6,672)
DIP Advances	-	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Interco funding	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow post DIP	209	153	1,610	(1,775)	2,046	758	360	(1,725)	306	263	1,073	850	(800)	3,328
Cash & Equivalents Position														
Operating Cash Position	110	319	472	2,082	307	2,353	3,111	3,471	1,746	2,052	2,315	3,388	4,238	110
Net Cash Flow incl. DIP	209	153	1,610	(1,775)	2,046	758	360	(1,725)	306	263	1,073	850	(800)	3,328
Closing Cash Position	319	472	2,082	307	2,353	3,111	3,471	1,746	2,052	2,315	3,388	4,238	3,438	3,438

SCHEDULE A (CONTINUED)

Great Basin Gold Ltd - SOUTH AFRICA
 Consolidated Weekly Cash Flow Forecast
 For the 13-week period ending December 14, 2012
 in \$ 000's USD (except for ounces and price of Gold)

Week Ending	1 21-Sep	2 28-Sep	3 5-Oct	4 12-Oct	5 19-Oct	6 26-Oct	7 2-Nov	8 9-Nov	9 16-Nov	10 23-Nov	11 30-Nov	12 7-Dec	13 14-Dec	13 Week Total
Cash Receipts														
Burnstone Ounces Sold	-	-	500	-	500	-	-	-	-	-	-	-	-	1,000
Burnstone Price per Ounce	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575
	-	-	788	-	788	-	-	-	-	-	-	-	-	1,575
Gold Sales	-	-	788	-	788	-	-	-	-	-	-	-	-	1,575
Other	-	-	1,313	-	-	-	-	525	-	-	-	-	-	1,838
Total Cash Receipts	-	-	2,100	-	788	-	-	525	-	-	-	-	-	3,413
Cash Disbursements														
Suppliers	-	(2,231)	-	-	-	(1,410)	-	-	-	-	(1,480)	-	-	(5,121)
Payroll and Benefits	(9,156)	(600)	-	-	(300)	(156)	-	-	-	(117)	-	-	-	(10,330)
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	(75)	(132)	-	-	-	-	(75)	-	-	-	(75)	-	-	(358)
Other	-	-	-	-	-	-	(250)	-	-	(400)	-	-	-	(650)
Professional Fees	-	(70)	-	-	-	(70)	-	-	-	-	(70)	-	-	(210)
Total Cash Disbursements	(9,232)	(3,033)	-	-	(300)	(1,636)	(325)	-	-	(517)	(1,625)	-	-	(16,669)
Net Cash Flow Before Financing	(9,232)	(3,033)	2,100	-	488	(1,636)	(325)	525	-	(517)	(1,625)	-	-	(13,256)
Red Kite Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Financing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	(1,681)	-	-	-	-	-	-	-	-	-	-	-	(1,681)
Net Cash Flow After Financing	(9,232)	(4,714)	2,100	-	488	(1,636)	(325)	525	-	(517)	(1,625)	-	-	(14,937)
DIP Advances	10,000	3,181	-	-	-	-	-	1,000	-	-	-	-	-	14,181
Interco Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow post DIP	768	(1,533)	2,100	-	488	(1,636)	(325)	1,525	-	(517)	(1,625)	-	-	(756)
Cash & Equivalents Position														
Opening Cash Position	1,692	2,460	927	3,027	3,027	3,514	1,878	1,553	3,078	3,078	2,561	935	935	1,692
Net Cash Flow Incl. DIP	768	(1,533)	2,100	-	488	(1,636)	(325)	1,525	-	(517)	(1,625)	-	-	(756)
Closing Cash Position	2,460	927	3,027	3,027	3,514	1,878	1,553	3,078	3,078	2,561	935	935	935	935

SCHEDULE A
(CONTINUED)

Great Basin Gold Ltd
Weekly Cash Flow Forecast
Notes and Summary of Assumptions

- Note 1** The purposes of these cash flow forecasts are to set out the liquidity requirements of the GBG Group during the CCAA proceedings.
- Note 2** Gold sales are based on the Company's latest operating plan taking into account recent pricing of gold.
- Note 3** Supplier payments have been forecast based on management's estimation of care and maintenance expenses for the Burnstone facility, the on-going costs of the Hollister facility (including catch up amounts) and general office expenses, taking into account the impact of the CCAA proceedings in Canada and the Business Rescue Proceedings in South Africa.
- Note 4** Payroll and benefit payments include salaries, wages, remittances and severance payments consistent with management's latest operating plans.
- Note 5** Royalties relate to the Hollister facility and are calculated based on quarterly production and the prescribed agreed upon royalty rate.
- Note 6** Insurance payments include business interruption, workers compensation, property & liability and D&O insurance
- Note 7** Professional fee disbursements have been forecast based on projected costs by professional services firm related to the restructuring.
- Note 8** Red Kite Repayment is the monthly repayment of a gold advance received by the GBG Group and is being calculated on 2,222 ounces x \$1350 per month.
- Note 9** DIP financing fees and interest based on the latest version of the DIP Facility term sheet.
- Note 10** DIP advances based on the requirements of the Hollister and Burnstone facilities subject to the pre-determined caps.
- Note 11** The Can\$/US\$ exchange rate is forecast at C\$1:US\$1 and the US\$:ZAR is forecast at \$US1:ZAR8.

SCHEDULE B



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Listing code NYSE Amex - GBG
Listing code JSE - GBG

September 18, 2012

KPMG Inc.
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5

Attention: Philip J. Reynolds

Dear Sirs

**Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by Great Basin Gold and Others (collectively, "Great Basin Gold") for the commencement of proceedings under the CCAA in respect of Great Basin Gold, the management of Great Basin Gold ("Management") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement is based.

Great Basin Gold confirms that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of Great Basin Gold;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to KPMG Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. that the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
 - b. that the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

Yours Truly,

A handwritten signature in blue ink, appearing to read "Lourens A. Van Vuuren", with a long horizontal line extending to the right.

Lourens A. Van Vuuren
Interim Chief Executive Officer
Great Basin Gold Ltd.

Directors: RW Thiessen* (Chairman); L van Vuuren† (Interim CEO); PR Cooke†; TB Coughlan*;
JC Ngoma†; P Kotze†; OM Matloa†; A Dhir*
Company Secretary: B Zinkhofer*
Co-Company Secretary: WJP Beckmann†

* Canadian
† South African
** American