

Court File No. S-134749
Vancouver Registry

Great Basin Gold Ltd.

SECOND REPORT OF THE RECEIVER

June 26, 2014

**THE SUPREME COURT OF BRITISH
COLUMBIA
IN BANKRUPTCY AND
INSOLVENCY**

IN THE MATTER OF THE RECEIVERSHIP OF GREAT BASIN GOLD LTD.

**FIRST REPORT TO THE COURT SUBMITTED BY FTI
CONSULTING CANADA INC.
IN ITS CAPACITY AS RECEIVER**

INTRODUCTION

1. On June 28, 2013 (the “**Appointment Date**”), FTI Consulting Canada, Inc. was appointed as receiver (the “**Receiver**”) of all of the assets, undertakings and properties of Great Basin Gold Ltd. (“**GBGL**” or the “**Company**”) pursuant to an Order of the Honourable Madam Justice Fitzpatrick of the Supreme Court of British Columbia (the “**Receivership Order**”).
2. Prior to the appointment of the Receiver, GBGL had been subject to an order under the Companies’ Creditors Arrangement Act R.S.C. 1985, c. C-36 (“**CCAA**”) and Alvarez and Marsal Canada ULC (“**A&M**”) had been appointed to act as chief restructuring officer and chief financial officer of the Company. In addition, subject to the CCAA, KPMG was appointed as monitor (the “**Monitor**”) of the Company.
3. Gowling Lafleur Henderson LLP (“**Gowlings**”) acted as counsel to the Monitor during the CCAA. When the CCAA was terminated and the Receiver was appointed, Gowlings resigned as counsel to the Monitor and, with the consent of the Monitor, was retained by

the Receiver. This was done as an effective means to reduce costs for the estate overall as Gowlings was well versed with the intended realization path for the Company's assets.

4. At the time of the Receivership, the Receiver was advised that the total debt owing to the Company's primary secured creditors (the "**Lenders**") was approximately \$200 million, and the estimated recoveries from the available assets was expected to be significantly less than the amount owing to the Lenders.
5. The Company's most significant remaining asset is the Burnstone property, located in Balfour, Mpumalanga, South Africa, (the "**Burnstone Property**"), which was a producing gold mine. The gold mine stopped production and sales in late 2013. The Burnstone Property is owned by an indirect subsidiary company of GBGL, Southgold Exploration (Pty) Ltd., ("**Southgold**")
6. On January 7, 2014, the Receiver received approval from the Supreme Court of British Columbia to borrow an additional \$4 million (the "**Additional Funding**") to fund infrastructure and management fees associated with the ongoing development of the mine. The amended and restated term sheet in respect of this Additional Funding was approved by the Lenders on March 27, 2014.
7. On May 28, 2014, the Receiver received further approval from the Supreme Court of British Columbia to borrow up to an additional \$4 million (the "**Second Additional Funding**") to fund operating expenses for Southgold and GBGL. The second amended and restated term sheet in respect of this Second Additional Funding was approved by the Lenders on June 6, 2014.
8. The purpose of this, the Receiver's Second Report, is to inform the Court of the following:

- a) the activities of the Receiver since the date of the last report;
- b) the Receiver's statement of disbursements and receipts since from December 14, 2013 to June 20, 2014;
- c) the sale of GBGL's mining claims in the Kirkland Lake region, Ontario, and
- d) the closing of the Southgold Sale Transaction (as hereinafter defined).

TERMS OF REFERENCE

- 9. In preparing this report, the Receiver has relied upon unaudited financial information from GBGL and Southgold's books and records, certain financial information prepared by Southgold and discussions with the Southgold employees. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
- 10. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. Dollars.
- 11. Capitalized terms not otherwise defined herein have the meanings set out in the Receivership Order.

ACTIVITIES SINCE THE DATE OF APPOINTMENT

- 12. The Receiver has established a website at <http://cfcanada.fticonsulting.com/GBGL> (the

“**Receiver’s Website**”) at which the Receiver posts periodic updates on the progress of the receivership, together with copies of court orders, motion materials and reports filed in the receivership.

13. In addition, the Receiver has created a dedicated email address, gbgl@fticonsulting.com, and a dedicated telephone number, 416-649-8047, which creditors, employees, interested parties and other stakeholders can use to contact the Receiver.

BUSINESS RESCUE PRACTITIONER

14. The Burnstone Property is 100% owned by Southgold, an indirect subsidiary of GBGL.
15. Southgold is subject to business rescue proceedings in South Africa pursuant to Chapter 6 of the Companies Act and Mr. Peter van den Steen has been appointed as the Business Rescue Practitioner of Southgold (the “**BRP**”) overseeing the activities of Southgold, including with respect to the Burnstone Property.
16. The Receiver’s primary mandate is to assist the BRP with the realization of the Burnstone Property for the benefit of the Lenders and, to that end, the Receiver continues to work with the BRP to facilitate the sale transaction of the Burnstone Property to Witwatersrand Consolidated Gold Resources (“**Wits Gold**”).
17. Wits Gold made an offer to purchase the shares of Southgold and certain shareholder claims of N6C Resources Inc. (“**N6C**”) in respect of Southgold (the “**Southgold Sale Transaction**”) in accordance with the Southgold business rescue plan that was approved by the requisite holders of creditors’ voting interests on July 11, 2013. N6C is an indirect subsidiary of GBGL . The definitive agreements in respect of the Southgold Sale Transaction have been executed by the relevant parties and the transaction is scheduled to close on or about July 1, 2014.
18. The activities of Southgold in respect of the Burnstone Property are funded by the

Receiver through a funding arrangement established with the Lenders at the time of the Receiver's appointment (the "**Receivership Funding**"). Further, the Receiver's activities, the costs associated with GBGL and the costs associated with the BRP and Southgold are funded with the Receivership Funding, the Additional Funding and the Second Additional Funding.

19. The Receiver leads bi-weekly calls with the Lenders and the BRP in respect of the Company's cash flows and any upcoming Receivership draw requests.

CANADA REVENUE AGENCY

20. The Canada Revenue Agency, ("**CRA**") is currently conducting audits with respect to payroll and operating expenses. The Receiver has provided the information requested to CRA but has not been advised of CRA's findings to date. The Receiver has advised CRA of the imminent closing of the Southgold Sale Transaction, at which point the Receiver will have realized upon all available assets of GBGL, and the likely discharge of the Receiver shortly thereafter.

21. The CRA has also been advised that it is unlikely to recover on any claims it may have against GBGL.

MINING CLAIMS

22. The Receiver has sold the mining rights located in the Kirkland Lake region for approximately \$30,000.00 to Bruce Dudgeon, pursuant to an agreement of purchase and sale dated March 14, 2014.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

23. The table below summarizes the receipts and disbursements of the Receiver from December 14, 2013 to June 20, 2014:

Great Basin Gold LimitedReceipts & Disbursements for the period of December 14, 2013 to June 20, 2014
(USD 000's)

		Note
Burstone Cash Inflow		
Gold Receipts	\$ -	
Revenue to Copper Eagle	-	
Other Inflows	84	
Foreign Exchange	426	
Burstone Cash Inflow total Cash Inflow	<u>510</u>	
Burstone Cash Outflow		
Payroll	(1,157)	a
Mine Suppliers	(2,069)	b
Corporate Suppliers	-	
Business Rescue Practitioner/Professional Fees	(1,066)	c
Infrastructure	(185)	
Insurance	(170)	
Wits Gold Management Fee	(762)	d
Total Burnstone Cash Outflow	<u>(5,409)</u>	
GBGL Cash Inflow		
Sale of Mining Rights	24	e
HST Refund and other Inflows	1,597	f
Total GBGL Cash Inflow	<u>1,621</u>	
GBGL Cash Outflow		
Startcomm Payroll	-	
Corporate Suppliers	(40)	
Professional Fees	(1,316)	g
Total GBGL Cash Outflow	<u>(1,356)</u>	
Net Cumulative Cash Flow	<u>(4,634)</u>	
Opening Cash Balance	2,254	
Receiver Certificate	4,118	h
Net Cash Flow	(4,634)	
Unrealized Gain/Loss	(94)	
Ending Cash Balance	<u>\$ 1,643</u>	

24. The following is a description of the major cash receipts and disbursements in the above table:

- a) Burnstone payroll, payment to employees totaled \$1,157,451;
- b) Disbursements to mine suppliers, mostly for costs associated with the care and maintenance of the mine totaled \$2,069,018;
- c) Fees for the Business Rescue Practitioner and his advisors in South Africa totaled \$1,066,275;
- d) A fee of \$761,880 was disbursed to Wits Gold as per the Management Agreement;
- e) Receiver and other legal and professional fees during the period total \$1,315,527 to date;
- f) Pursuant to the Receivership Funding, GBGL has on-lent \$4,117,500 during the period to Southgold, as evidenced by the Receiver's Certificate.

PLAN FOR THE COMPLETION OF THE RECEIVERSHIP

25. The Receiver will continue to assist the BRP to facilitate the closing of the Southgold Sale Transaction with Wits Gold. The closing of this transaction is expected to occur on or about July 4, 2014.

26. Upon completion and implementation of the Southgold Sale Transaction, the Receiver anticipates that proceeds and reimbursable amounts from the sale will flow directly from the South African Escrow Agent to GBGL or the Lenders. The Receiver will assist with re-directing any borrowed but unutilized funds remaining at Southgold or GBGL to the Lenders.

27. The Receiver will be holding funds to settle any remaining amounts owing in respect of the activities of the estate. Once the Receiver has completed these duties it will seek

approval from the Court for its fees and its discharge.

The Receiver respectfully submits to the Court this, its First Report
Dated this 26th day of June, 2014

FTI Consulting Canada Inc. in
its capacity as receiver of Great
Basin Gold Limited
and not in its personal or corporate capacity



Toni Vanderlaan
Senior Managing Director