

Court File No.: CV-20-00649558-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS*
***ARRANGEMENT ACT*, R.S.C. 1985, c C-36 AS AMENDED**

AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
EXPRESS GOLD REFINING LTD.

SEVENTH REPORT OF THE MONITOR

December 13, 2021

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INTRODUCTION

1. On October 15, 2020, Express Gold Refining Ltd. (“**EGR**” or the “**Applicant**”) filed for and obtained protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Order of this Court granted on October 15, 2020 (the “**Initial Order**”), Deloitte Restructuring Inc. was appointed as the Monitor in these proceedings (in such capacity, the “**Monitor**”). The Initial Order also provided for, among other things, a stay of proceedings with respect to the Applicant until and including October 19, 2020 (the “**Stay Period**”). In his Honour’s endorsement, Justice Hainey scheduled the comeback hearing (the “**Comeback Hearing**”) for October 19, 2020.
2. At the Comeback Hearing on October 19, 2020, Justice McEwen amended the Initial Order (the “**Amended Initial Order**”) to, among other things, extend the Stay Period until and including October 27, 2020.
3. On October 27, 2020, the Amended Initial Order was amended a second time to approve a monitoring protocol (the “**Monitoring Protocol**”) agreed to among the Applicant, Canada Revenue Agency (“**CRA**”) and the Monitor, and to extend the Stay Period until and including December 15, 2020.
4. On December 14, 2020, the Court granted an Order extending the Stay Period until and including March 15, 2021.
5. On March 8, 2021, the Court granted an Order approving a further amendment to the Monitoring Protocol dated March 1, 2021, among the Applicant, CRA and the Monitor (the “**Amended Monitoring Protocol**”), and extending the Stay Period until and including June 11, 2021.
6. On May 20, 2021, the Monitor filed a motion (the “**Production Motion**”) for an Order granting the Monitor unfettered access to the full and complete books and records of EGR and, in particular, all documents in EGR’s possession and control that have been provided to EGR or its tax counsel, Baker McKenzie LLP (“**Tax Counsel**”), by CRA in connection with all GST/HST assessments and reassessments that have been issued or will be issued by CRA (the “**Tax**

Documents”). The Production Motion was returnable on May 25, 2021 and was adjourned to be heard on June 8, 2021 at 11:00 a.m. The CRA opposed the Production Motion.

7. On June 8, 2021, the Court granted an Order extending the Stay Period until and including September 10, 2021.

8. On June 9, 2021, the Court issued an endorsement (the “**June 9 Endorsement**”) in respect of the Production Motion. In summary, the June 9 Endorsement provided reasons supporting the Court’s jurisdiction to direct the delivery of the Tax Documents by EGR to the Monitor (notwithstanding CRA’s objections) and further directed an additional hearing, if necessary, to determine any restrictions to be imposed upon the disclosure of certain documents, as identified by CRA.

9. On August 17, 2021, the Court issued an Order (the “**Production Order**”), dated June 8, 2021, for EGR to produce and make available to the Monitor all Tax Documents.

10. On September 7, 2021, the Court granted an Order extending the Stay Period until and including December 10, 2021.

11. On December 8, 2021, the Court granted an Order extending the Stay Period until and including December 15, 2021.

PURPOSE

12. The purpose of this seventh report of the Monitor (the “**Seventh Report**”) is to provide the Court with information and updates on the following:

- (a) the activities of EGR and the Monitor from August 31, 2021, the date of the Sixth Report of the Monitor (the “**Sixth Report**”), filed in connection with the previous motion to extend the Stay Period granted in these CCAA proceedings (the “**CCAA Proceedings**”), to the date of this Seventh Report;
- (b) EGR’s cash flow results for the 14-week period from August 23, 2021 to November 26, 2021, with a comparison to forecasted amounts;

- (c) EGR's revised cash flow forecast (the "**Revised Cash Flow Forecast**") for the 16-week period from November 29, 2021 to March 18, 2022, and the Monitor's comments thereon;
- (d) the amendments to the Amended Monitoring Protocol (the "**Second Amended Monitoring Protocol**");
- (e) the status of the Tax Litigation and next steps in the CCAA Proceedings; and
- (f) the Monitor's recommendation regarding the Applicant's request to extend the Stay Period until March 15, 2022 (the "**Stay Extension Period**").

13. This Seventh Report should be read in conjunction with the Affidavit of Atef Salama sworn December 11, 2021 in support of the Applicant's motion for the extension of the Stay Period (the "**Salama Affidavit**").

TERMS OF REFERENCE AND DISCLAIMER

14. In preparing this Seventh Report and making the comments herein, the Monitor has been provided with, and has relied upon the following information (collectively, the "**Information**"): unaudited financial information, books and records and financial information prepared by EGR, and discussions with management of the Applicant ("**Management**").

15. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Generally Accepted Assurance Standards ("**Canadian GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.

16. Some of the information referred to in this Seventh Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

17. Future oriented financial information referred to in this Seventh Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

18. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

ACTIVITIES OF EGR SINCE THE SIXTH REPORT

19. The activities of EGR since the Sixth Report are set out in paragraphs 56 to 71 of the Salama Affidavit, and such activities of EGR that are related to or arising out of these CCAA Proceedings include:

- (a) Complying with the terms of the Amended Monitoring Protocol;
- (b) Continuing to manage its relationships with customers and suppliers to minimize business disruption;
- (c) Continuing to provide regular updates and information to the Monitor with respect to the business;
- (d) Facilitating the delivery of, or access to, the Tax Documents to the Monitor in accordance with the Production Order;
- (e) On November 19, 2021, serving a Notice of Motion to CRA for a further list and production of documents in connection with the Tax Litigation; and
- (f) Continuing its efforts to advance the Tax Litigation. A status update of the Tax Litigation is provided in paragraphs 14 to 28 of the Salama Affidavit.

ACTIVITIES OF THE MONITOR SINCE THE SIXTH REPORT

20. Since the Sixth Report, the Monitor has undertaken the following activities:

- (a) Monitored EGR's business in accordance with the Amended Monitoring Protocol;

- (b) Reviewed EGR's GST/HST filings and communicated with CRA regarding the processing status. In this regard, CRA processed and released net tax refunds for GST/HST filings for the periods from October 16, 2020 to September 30, 2021. (The GST/HST filing for the October 2021 period is currently under review.);
- (c) Communicated with EGR's restructuring counsel regarding developments in the CCAA Proceedings and Tax Counsel regarding the status of the Tax Litigation;
- (d) Communicated with CRA regarding developments in these CCAA Proceedings;
- (e) Communicated with EGR and CRA in relation to the Tax Litigation timeline, disclosure of information in the Tax Litigation, and matters related to advancing the Tax Litigation to remain consistent with the purposes of these CCAA Proceedings;
- (f) Continued the review of the Tax Documents made available to the Monitor in accordance with the Production Order; and
- (g) Assisted EGR in preparing the Revised Cash Flow Forecast and cash flow variance reporting.

CASH FLOW FORECAST AND RESULTS RELATIVE TO FORECAST

21. Summarized in the following table are EGR's actual cash receipts and disbursements for the 14-week period ended November 26, 2021 (the "**Reporting Period**") as compared to the corresponding weeks in the cash flow forecast included in the Sixth Report.

Express Gold Refining Ltd.
Summary of Actual versus Forecast Cash Flows
For the 14-week period from August 23, 2021 to November 26, 2021
(\$CAD '000s)
Unaudited

	Actual	Forecast	Variance	Note
Receipts				
Collection from Sales and Accounts Receivable	15,829	16,305	(476)	A
HST refunds	415	431	(16)	B
Interest and other receipts	9	1	8	
Total Receipts	16,253	16,737	(484)	
Disbursements				
Purchases	16,258	15,653	(605)	C
Customer accounts and hedging	175	0	(175)	D
Salaries and wages	233	219	(14)	E
Consulting and professional fees	33	52	19	F
General Administrative Expenses	71	74	3	
Insurance	24	28	4	
Rent	14	14	0	
Advertising and promotion	40	38	(2)	
Vehicle	5	11	6	
Freight	30	37	7	
Income Tax	132	0	(132)	G
Total Disbursements	17,014	16,127	(887)	
Litigation Costs	485	464	(21)	H
Restructuring Costs	455	910	455	I
Total Litigation and Restructuring Costs	940	1,374	434	
Net Cash Flow	(1,701)	(764)	(937)	
Opening Cash	3,907	3,907	0	
Ending Cash	2,206	3,143	(937)	

22. EGR's actual net cash outflow for the Reporting Period was \$1.7 million compared to forecast net cash outflow of \$764,000, resulting in an unfavourable variance of \$937,000. The following are the reasons for the major variances, identified by the notes in the above table:

- A** An unfavourable variance of \$476,000 in sales receipts is a timing difference due to seasonal fluctuations and is expected to reverse in the future;
- B** An unfavourable variance of \$16,000 in HST refunds is a permanent difference due to lower than expected input tax credits claimed from operating expenses in September 2021;
- C** An unfavourable variance of \$605,000 in purchases is a timing difference from prior periods that reversed in the current period;
- D** An unfavourable variance of \$175,000 relating to customer accounts and hedging, due to a customer withdrawing the remaining funds and closing their hedging/investment account held at EGR;
- E** An unfavourable variance of \$14,000 in salaries and wages is a permanent difference due to the addition of one full-time and one part-time staff in September 2021;
- F** A favourable variance of \$19,000 in consulting and professional fees is primarily a permanent difference due to management’s cash conservation efforts;
- G** An unfavourable variance of \$132,000 in income tax payments is a permanent difference due to additional income tax payments made during the Reporting Period as recommended by EGR’s tax accountants;
- H** An unfavourable variance of \$21,000 in litigation costs is a timing difference from prior periods that reversed in the current period; and
- I** A favourable variance of \$455,000 in restructuring costs is a timing difference expected to reverse in the future.

APPLICANT’S REVISED CASH FLOW FORECAST

23. The Applicant, with the assistance of the Monitor, has prepared the Revised Cash Flow Forecast, which covers the period from November 29, 2021 to March 18, 2022 (the “**Revised Cash**

Flow Period”) for the purposes of projecting the cash position of the Applicant’s planned operations and other activities during the proposed Stay Extension Period. A copy of the Revised Cash Flow Forecast is attached hereto as Appendix “A”.

24. The Revised Cash Flow Forecast has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Revised Cash Flow Forecast (the “**Assumptions**”), and is presented on a weekly basis during the Revised Cash Flow Period.

25. EGR’s opening cash balance on November 29, 2021 was \$2.2 million. The forecast cash flow surplus for the Revised Cash Flow Period before litigation and restructuring costs is estimated to be approximately \$414,000. Litigation and restructuring costs in connection with the Tax Litigation and these CCAA proceedings are estimated to be approximately \$638,000 and \$840,000, respectively, over the Revised Cash Flow Period. The forecast cash flow deficit for the Revised Cash Flow Period after litigation and restructuring costs is estimated to be \$1.06 million, resulting in an estimated ending cash balance of \$1.1 million on March 18, 2022.

26. Accordingly, the Applicant is expected to have sufficient liquidity during the proposed Stay Extension Period.

27. The Monitor has reviewed the Revised Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor’s cash flow statement as to its reasonableness and to file a report with the Court on the monitor’s findings. The Canadian Association of Insolvency and Restructuring Professionals’ Standards of Professional Practice include a standard for monitors fulfilling their statutory responsibilities under the CCAA in respect of a monitor’s report on a cash flow statement.

28. In accordance with the standard, the Monitor’s review of the Revised Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to the Information. Since the Assumptions need not be supported, the Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the Assumptions and the preparation and presentation of the Revised Cash Flow Forecast.

29. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material aspects, that:

- (a) the Assumptions are not consistent with the purpose of the Revised Cash Flow Forecast;
- (b) as at the date of this Report, the Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Revised Cash Flow Forecast, given the Assumptions; or
- (c) the Revised Cash Flow Forecast does not reflect the Assumptions.

30. Since the Revised Cash Flow Forecast is based on Assumptions regarding future events, actual results will vary from the information presented even if the Assumptions occur, and the variations could be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Forecast will be achieved. In addition, the Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Revised Cash Flow Forecast or relied upon by the Monitor in preparing this Seventh Report.

31. The Revised Cash Flow Forecast has been prepared solely for the purposes described above, and readers are cautioned that it may not be appropriate for other purposes.

AMENDMENTS TO THE AMENDED MONITORING PROTOCOL

32. Since the approval and implementation of the Amended Monitoring Protocol on March 1, 2021, EGR, CRA and the Monitor held discussions with a view to assessing and improving the efficiency of the Amended Monitoring Protocol. On or around October 27, 2021, EGR proposed that the Monitor make certain amendments to the Amended Monitoring Protocol to account for current business volumes. The discussions remain ongoing; however, the Monitor is principally supportive of an adjusted monitoring process in order to adapt to EGR's current operational and financial circumstances.

TAX LITIGATION UPDATE AND NEXT STEPS IN THE CCAA PROCEEDINGS

33. As described in further detail in paragraphs 26 to 28 of the Salama Affidavit, the Monitor understands that in EGR's view, there remain deficiencies in CRA's disclosure of documents in the Tax Litigation. CRA advised the Monitor that their view is that documentary productions are complete. EGR served a Notice of Motion to CRA on November 19, 2021 for a further list and production of documents; the motion date is set for December 17, 2021 (the "**December 17 Production Motion**"). On December 3, 2021, EGR proposed to have the disclosure matter mediated on an expedited basis prior to the December 17, 2021 motion date. However, CRA was not inclined to proceed.

34. Furthermore, the Monitor understands that a litigation timetable has been proposed by EGR, as described in paragraph 41 of the Salama Affidavit. (The litigation timetable proposed by EGR does not account for those pre-filing periods which remain under audit by the CRA.) CRA's view is that scheduling particular dates did not make sense given the uncertainty around the disclosure of documents. The Monitor has initiated discussions with EGR, CRA and their respective advisors to review and assess the progress of the Tax Litigation with a view to developing a practical and suitable litigation timetable, which will include a timeline for the completion of the audit of pre-filing periods.

35. The Monitor is of the view that the current *status quo* continues to have a material adverse effect on EGR's financial position as evidenced by the deteriorating cash position outlined in the Applicant's Revised Cash Flow Forecast described above. As discussed in paragraphs 14 to 25 of the Salama Affidavit, the disclosure of documents in the Tax Litigation began on March 31, 2021. The Monitor understands that in the past eight months, EGR and CRA have been working together to effect additional disclosure of documents. However, even after eight months of discussions, the disclosure matter remains unresolved resulting in the December 17 Production Motion. It will take time for the Tax Court to render a decision, which will further delay the progress of the Tax Litigation. Furthermore, if CRA is required by the Tax Court to produce the additional documents sought by EGR, CRA stated that the production of documents will require four to five months (not accounting for any appeal matters); in fact, upon review of CRA's factum filed in reply to the December 17 Production Motion, the Monitor has observed that CRA will require until 2023 to complete the processing, reviewing and production of the additional documentation, and the

necessary preparation time for examinations for discovery. A litigation timetable based on these dates is untenable. The Monitor is deeply concerned that the delays in the Tax Litigation will be so financially straining to EGR that the company will run out of cash before the commencement of trial. Therefore, the Monitor is of the view that i) the CRA and EGR disclosure issues need to be settled urgently in order to allow the Tax Litigation to progress, and ii) the litigation timetable and all matters related to the Tax Court and the Tax Litigation need to be expedited to avoid a single piece of unresolved litigation to collapse the CCAA Proceedings and provide EGR with an opportunity to successfully restructure through a plan of compromise or arrangement, for the benefit of all of EGR's stakeholders.

36. The Monitor will provide this Court with a further update on the status of the Tax Litigation following the Tax Court's decision on the December 17 Production Motion. At the same time, the Monitor is considering bringing a motion to have a litigation timetable concretized in this Court such that the Tax Litigation can be settled, in finality, within the financial means of the company.

37. Pursuant to the Production Order issued on August 17, 2021, EGR provided the Monitor with access to the Tax Documents. The Monitor has continued its review and assessment of the Tax Documents and held discussions with Management and EGR's advisors to further our working knowledge of the substantive tax issues at hand.

STAY EXTENSION

38. The current Stay Period expires on December 15, 2021. The Applicant is seeking the extension of the Stay Period up to and including March 15, 2022 in order to allow the Applicant, with the assistance of the Monitor, to:

- (a) preserve the *status quo* and continue to maintain the stability of operations;
- (b) work towards a resolution of the Tax Litigation with CRA; and
- (c) determine next steps in respect of the CCAA Proceedings.

39. As described above, the Revised Cash Flow Statement indicates that the Applicant will have sufficient liquidity during the Stay Extension Period.

40. In the Monitor's view, the Applicant has acted and continues to act in good faith and with due diligence in these CCAA Proceedings.

41. The Monitor supports EGR's request for the extension of the Stay Period to March 15, 2022.

All of which is respectfully submitted this 13th day of December, 2021.

**Deloitte Restructuring Inc., solely in its
capacity as Court-appointed Monitor of
Express Gold Refining Ltd.**



Phil Reynolds, LIT
Senior Vice-President



Warren Leung, LIT
Vice-President

Appendix "A"
to the Seventh Report of the Monitor

Express Gold Refining Ltd.
16-week cash flow forecast for the period November 29, 2021 to March 18, 2022
Amounts in CAD, unaudited

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TOTAL
Notes	3-Dec	10-Dec	17-Dec	24-Dec	31-Dec	7-Jan	14-Jan	21-Jan	28-Jan	4-Feb	11-Feb	18-Feb	25-Feb	4-Mar	11-Mar	18-Mar	
Receipts																	
1 Sales	1,199,633	1,199,633	1,199,633	1,199,633	-	719,780	1,379,578	1,379,578	1,379,578	1,379,578	1,379,578	1,379,578	1,103,663	1,199,633	1,199,633	1,199,633	18,498,348
2 HST refunds	-	-	140,335	-	-	-	140,335	-	-	-	-	140,335	-	-	-	140,335	561,341
3 Interest income	374	-	-	-	-	374	-	-	-	374	-	-	-	374	-	-	1,495
Total Receipts	1,200,007	1,199,633	1,339,969	1,199,633	-	720,154	1,519,914	1,379,578	1,379,578	1,379,952	1,379,578	1,519,914	1,103,663	1,200,007	1,199,633	1,339,969	19,061,184
Disbursements																	
4 Purchases	1,151,648	1,151,648	1,151,648	1,151,648	-	690,989	1,324,395	1,324,395	1,324,395	1,324,395	1,324,395	1,324,395	1,059,516	1,151,648	1,151,648	1,151,648	17,758,414
5 Salaries and wages	17,619	15,829	16,338	15,829	17,619	-	15,829	32,168	17,619	15,829	-	32,168	17,619	15,829	-	32,168	262,464
6 Consulting and professional fees	-	-	15,694	-	-	-	-	15,694	-	-	-	15,694	-	-	-	15,694	62,775
7 General Administrative Expenses	4,805	4,805	4,805	4,805	-	9,611	4,805	4,805	4,805	4,805	4,805	4,805	4,805	4,805	4,805	4,805	76,884
8 Insurance	7,064	7,064	2,559	2,559	-	7,064	7,064	2,559	2,559	7,064	7,064	2,559	2,559	7,064	7,064	2,559	38,492
9 Rent	14,480	14,480	-	-	-	14,480	-	-	-	14,480	-	-	-	14,480	-	-	57,922
10 Advertising and promotion	2,684	2,684	2,684	2,684	-	5,368	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684	2,684	42,943
11 Vehicle	1,473	-	-	-	-	3,071	-	-	1,598	1,473	-	-	1,598	1,473	-	-	10,686
12 Freight	-	-	12,254	-	-	-	12,254	-	-	-	12,254	-	-	-	-	-	49,017
13 Income Tax	288,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,000
Total Disbursements	1,487,774	1,174,967	1,205,983	1,174,967	17,619	746,412	1,344,139	1,382,205	1,351,102	1,370,731	1,344,139	1,382,205	1,086,223	1,197,984	1,171,392	1,209,558	18,647,598
Net Cash Flow Before Litigation and Restructuring Costs	(287,767)	24,667	133,986	24,667	(17,619)	(26,258)	175,775	(2,727)	28,477	9,221	35,440	137,609	17,440	2,023	28,242	130,411	413,586
14 Litigation Costs	-	143,495	-	-	-	175,734	-	-	-	143,495	-	-	-	175,734	-	-	638,458
15 Restructuring Costs	80,000	-	130,000	-	80,000	-	130,000	-	80,000	-	130,000	-	80,000	-	130,000	-	840,000
Total Litigation and Restructuring Costs	80,000	143,495	130,000	-	80,000	175,734	130,000	-	80,000	143,495	130,000	-	80,000	175,734	130,000	-	1,478,458
Net Cash Flow	(567,767)	(118,828)	3,986	24,667	(97,619)	(201,992)	45,775	(2,727)	(51,523)	(134,274)	(94,560)	137,609	(62,560)	(173,711)	(101,758)	130,411	(1,064,872)
Opening Cash	2,202,039	1,834,272	1,715,444	1,719,430	1,744,097	1,646,478	1,444,486	1,490,261	1,487,534	1,436,011	1,301,736	1,207,176	1,344,785	1,282,225	1,108,514	1,006,756	2,202,039
Ending Cash	1,634,272	1,715,444	1,719,430	1,744,097	1,646,478	1,444,486	1,490,261	1,487,534	1,436,011	1,301,736	1,207,176	1,344,785	1,282,225	1,108,514	1,006,756	1,137,167	1,137,167

Notes

General Receipts and disbursements denominated in U.S. Dollars have been converted into Canadian Dollars using an exchange rate of CD\$1.26 = US\$1.00.

Projected disbursements include GST and HST charged for purchases of goods and services.

EGR is closed for the holidays from December 25, 2021 to January 3, 2022.

Receipts from sites are estimated based on historical average monthly sales, collected weekly.

The projected tax refunds are estimated based on input tax credits claimed on GST and HST paid to vendors.

Receipts from interest income earned on deposits.

These projected disbursements represent payments to suppliers of precious metals such as gold, silver, platinum and palladium bullion in the form of bars. The Company also purchases unrefined bars and scrap gold for refining.

These projected disbursements include payroll costs for all salaried and hourly employees. The forecast amounts are based on historic run rates. Hourly employees are paid bi-weekly and salaried employees are paid monthly. Payroll disbursements include all employee source deductions, employee and employer portions of CPP and EI, and other payroll-related taxes.

These projected disbursements include payments to EGR's advisors for corporate matters.

These projected disbursements include payments related to office supplies, repair and maintenance, telephone and networking, bank charges, travel, software and utilities.

These projected disbursements include premium payments for general, property and liability insurance, employee benefits, life insurance, and car insurance.

These projected disbursements include rent payments to Fang Properties Inc., a related party.

These projected disbursements relate to the various advertising and promotional initiatives.

These projected disbursements represent vehicle lease and other vehicle-related expenses.

These projected disbursements represent freight expenses to transport inventory for refining or for delivery to customers.

These projected disbursements represent corporate income tax instalments.

These projected disbursements include payments to legal advisors for litigation matters.

These projected disbursements include payments to EGR's legal advisor for specialist restructuring advice and the fees and costs of the Monitor and its counsel.

The opening cash balance reflects the bank balance and cash on hand balance at the start of the cash flow forecast.



Express Gold Refining Ltd.

Precious Metals Dealer • Refining • Assaying

December 6, 2021

Deloitte Restructuring Inc.
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto, Ontario M5H 0A9
Canada

Attention: Phil 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 CCAA proceedings in respect of Express Gold Refining Ltd. ("**EGR**"), the management of EGR ("**Management**") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement is based.

EGR confirms that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of EGR;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to Deloitte Restructuring Inc., in its capacity as Monitor of EGR;
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;
 - b. That the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances; and
 - c. That all relevant assumptions have been properly presented in the Cash Flow Statement or in the notes accompanying the Cash Flow Statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of EGR, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination;

215 Victoria St., Suite 400, Toronto, Ontario M5B1T9

Phone: (416) 366-4000 **Fax:** (416) 363-9633 **Email:** info@xau.ca **Website:** <http://www.xau.ca>



Express Gold Refining Ltd.

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5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make EGR's Management liable to fines and imprisonment in certain circumstances; and
6. The Cash Flow Statement and assumptions have been reviewed and approved by the EGR's board of directors or Management has been duly authorized by EGR's board of directors to prepare and approve the cash flow assumptions.

Yours truly,

Atef Salama
Vice President

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c C-36 AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO EXPRESS GOLD REFINING
LTD.**

ONTARIO

**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

SEVENTH REPORT OF THE MONITOR

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