

**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 PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT WITH RESPECT TO
EXPRESS GOLD REFINING LTD.**

**REPORT OF THE PROPOSED MONITOR
October 14, 2020**

INTRODUCTION

1. Deloitte Restructuring Inc. (“**Deloitte**” or the “**Proposed Monitor**”) understands that Express Gold Refining Ltd. (“**EGR**” or the “**Applicant**”) will be bringing an application before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to commence proceedings under the *Companies' Creditors Arrangement Act* (the “**CCAA**”) and seek an order (the “**Proposed Initial Order**”), among other things, granting a stay of proceedings (the “**Stay Period**”).
2. This report (the “**Report**”) has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in EGR’s CCAA proceeding to provide information to the Court for its consideration on the Applicant’s initial hearing seeking protection pursuant to the CCAA.

PURPOSE

3. The purpose of this Report is to provide information to the Court on:
 - i. Deloitte's qualifications to act as Monitor;
 - ii. Background information with respect to EGR;
 - iii. An overview of EGR's 12-week cash flow forecast (the "**Cash Flow Forecast**");
 - iv. The relief being sought by the Applicant in the Proposed Initial Order; and
 - v. The Proposed Monitor's conclusions and recommendations.

TERMS OF REFERENCE AND DISCLAIMER

4. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by EGR, and discussions with management of the Applicant ("**Management**") (collectively, the "**Information**").
5. The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.

6. Due to restrictions imposed as a result of the Coronavirus pandemic (“Covid-19”), the Proposed Monitor has been unable to perform usual procedures to verify or test information provided by Management, including physical attendance at EGR’s premises and meetings with Management.
7. Some of the information referred to in this 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.
8. Future oriented financial information referred to in this 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.
9. This Report does not include any consideration of the likely impact of Covid-19 on sales, supply chain or any other aspect of the business of the Applicant as the situation is continuing to evolve, and many uncertainties remain as to the effect the Covid-19 crisis will have on the Applicant and the broader domestic and global economies. Changes to market conditions could substantively affect the Applicant and this Report.
10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

DELOITTE'S QUALIFICATIONS TO ACT AS MONITOR

11. Deloitte is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Even though the Proposed Monitor fulfills the requirements of section 11.7(1) of the CCAA, it is subject to the requirement set out in section 11.7(2) of the CCAA to seek the permission to act as Monitor. Deloitte LLP, an affiliate of Deloitte Restructuring Inc., has been acting as accountant of the Applicant and Deloitte Legal Canada LLP, another affiliate of Deloitte Restructuring Inc., has been acting as legal counsel to the Applicant.
12. Deloitte LLP compiled the financial statements of EGR based on information provided by Management, without assurance or opinion. These financial statements were used solely by Management. Deloitte LLP also provided corporate income tax return preparation, estate planning and other tax services for EGR.
13. Deloitte Legal Canada LLP provided legal advice to EGR in connection with the Notices of Reassessment from the Canada Revenue Agency (“CRA”), as described in further detail below.
14. Deloitte Restructuring Inc., Deloitte LLP and Deloitte Legal Canada LLP have taken steps to place an ethical wall to prevent the inadvertent communication of information between the personnel involved in the CCAA proceeding and the personnel involved with other engagements. The ethical wall procedures include:
 - i. Assignment of a confidentiality keeper within the Proposed Monitor team. The confidentiality keeper will have the day-to-day responsibility for overseeing the

confidentiality of information related to the CCAA proceeding and any other related sensitive and confidential information;

- ii. The confidentiality keeper maintains a current list of all team members;
- iii. The confidentiality keeper has distributed a copy of the ethical wall procedures memo to each team member and has obtained an executed acknowledgement from each team member;
- iv. All electronic records related to the engagement have been saved in a secure electronic directory and the access to the directory has been limited to the Proposed Monitor team only who are covered by the ethical wall;
- v. All hard copy papers have been stored in a secure space accessible only to members of the Proposed Monitor team or shredded when they are no longer required;
- vi. An “Above the Wall” person from Deloitte LLP quality control team has been designated to monitor compliance with the ethical wall;
- vii. Furthermore, the Proposed Monitor’s obligations, including those of confidentiality and disclosure, reside with the Applicant being served. Therefore, the Proposed Monitor team members do not discuss or otherwise communicate about the CCAA proceeding with other parties, except when explicitly authorized by the Applicant. Similarly, the Proposed Monitor team members do not discuss or otherwise communicate about the CCAA proceeding and any other related sensitive and

confidential information with Deloitte practitioners from Deloitte LLP and Deloitte Legal Canada LLP.

15. The senior Deloitte professional personnel associated with this matter have acquired knowledge of the Applicant and its business through discussions held with Management and other interested parties. Prior to the CCAA filing, Deloitte was engaged by EGR for the limited purposes of assisting EGR in preparation for a potential CCAA filing and providing financial consulting services in connection therewith.
16. Deloitte has consented to act as Monitor, should the Court grant the Applicant's request for the Proposed Initial Order. Given the Proposed Monitor's current involvement with the Company with respect to the CCAA filing and the knowledge of the Company's operations, the Proposed Monitor is of the view that Deloitte's appointment as monitor is appropriate in the circumstances.
17. The Proposed Monitor has retained Dentons Canada LLP ("**Monitor's Counsel**") to act as its independent counsel.

BACKGROUND INFORMATION WITH RESPECT TO EGR

18. This Report should be read in conjunction with the Affidavit of Atef Salama sworn October 14, 2020 (the "**Salama Affidavit**") for additional background information with respect to EGR, upon which the Proposed Monitor relies.

Business Background

19. EGR's primary business is gold refining, which consists of EGR purchasing unrefined bars and scrap gold for refining at its specialized facility in Toronto and arranging for the final stages of refining to be conducted by third-party refiners offsite. In addition, EGR engages in the trading of gold bullion (and other precious metals) and forward contracts. Lastly, EGR takes trading positions for EGR and for its clients based on short and long-term fluctuations in the price of gold and other precious metals, either for hedging purposes or for investment purposes. EGR employs 14 people.
20. EGR's last compiled financial statements were for the year ended May 31, 2019 which reflect EGR accumulated sales of \$127.5 million and net earnings of \$2.5 million for the year. Total assets had a book value of \$47.5 million and total liabilities had a book value of \$43.5 million.
21. As discussed in the Salama Affidavit, EGR transacts with hundreds of customers and suppliers on a monthly basis. The Applicant estimates monthly sales at \$10.0 million and monthly purchases at \$9.4 million.

Background on CCAA proceeding

Overview

22. The proposed CCAA proceeding and the relief being sought are a result of a series of GST/HST commodity tax disputes (the "**Commodity Tax Dispute**") between EGR and the CRA. The CCAA proceeding is not intended to be an operational restructuring and the

Applicant does not seek CCAA protection in response to any liquidity constraints arising from any inability to service its pre-filing trade debt. The primary purpose of the CCAA proceeding is to provide a stay of proceeding for the continued operation of the business and a format to address the Commodity Tax Dispute with CRA.

Details of the Commodity Tax Dispute

23. As discussed in the Salama Affidavit, EGR is a GST/HST registrant under Part IX of the *Excise Tax Act* (R.S.C., 1985, c. E-15). EGR pays GST/HST on unrefined gold purchased from its suppliers, but does not collect GST/HST on the refined gold sold to its customers. GST/HST paid to suppliers in a business transaction give rise to Input Tax Credits (“ITCs”) that can be claimed by EGR. When a registrant’s ITCs exceed the GST/HST collected, it is entitled to a net tax refund from the CRA.
24. The Salama Affidavit outlines in detail the Applicant’s historical interactions with the CRA. The chart below is a summary of significant CRA audit activity:

Audit	Timeline	Issues	Result
First Full-Scale Audit	October 2004 to March 2008	Assessment of whether sale of gold in certain forms would be subject to GST/HST.	No impact as EGR was able to charge the relevant GST/HST to its customers and recover such GST/HST as ITCs. Issuance of net tax refund by the CRA totaling over \$750,000. The Applicant advised that over the period of the audit, the CRA withheld net tax refunds for various lengths of time.
Second Full-Scale Audit	March 2010 to 2013	Assessment of whether sale of gold in certain forms would be subject to GST/HST.	No impact as EGR was able to charge the relevant GST/HST to its customers and recover such GST/HST as ITCs.

Most Recent Audit	October 2018 ongoing	Assessment of whether unrefined gold was supplied.	On July 22, 2019, the CRA issued Notices of Reassessment related to EGR's June 1, 2016 to July 31, 2018 reporting period increasing EGR's net tax for those periods by almost \$10.0 million and imposed gross negligence penalties and interest. On July 29, 2020, the CRA issued Notices of Reassessment related to EGR's June 1, 2016 to October 31, 2018 reporting periods imposing tax, penalties and interest in excess of \$189.5 million. The CRA advised the Applicant that it intends to take enforcement actions forthwith.
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Current Status of the Commodity Tax Dispute

25. There is an imminent threat to the business as CRA has issued Notices of Reassessments in excess of \$189.5 million and advised the Applicant that the CRA intends to take enforcement actions forthwith.
26. Based on the financial position of EGR, EGR does not have available funds to satisfy the balance owing to the CRA.
27. The Applicant requires the protections afforded under the CCAA in order to maintain the *status quo* of its operations and preserve going concern value for all of its stakeholders. If EGR is forced to cease operations as a result of enforcement steps taken pursuant to the Notices of Reassessment, significant value of the business could be lost, employees will lose their jobs, and trade creditors who rely on EGR will be harmed. The stay of proceedings will provide an opportunity for EGR to pursue its appeal to the Tax Court, to provide the CRA with increased transparency and oversight in EGR's vendor management

and cash management processes, and to identify the subset of vendors that will enable EGR to continue as a going concern.

APPLICANT'S CASH FLOW FORECAST

28. The Applicant, with the assistance of the Proposed Monitor, has prepared the Cash Flow Forecast, which covers the period from October 12, 2020 to January 1, 2021 (the “**Cash Flow Period**”) for the purposes of projecting the estimated results of the Applicant’s planned operations and other activities during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as Appendix “**A**” hereto.
29. The Cash Flow Forecast has been prepared by Management, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast (the “**Assumptions**”), and is presented on a weekly basis during the Cash Flow Period.
30. EGR’s opening cash balance on October 12, 2020 was \$2.6 million. The forecast cash flow surplus for the Cash Flow Period before litigation and restructuring costs is estimated to be \$227,883. Litigation and restructuring costs in connection with the appeal to Tax Court and the CCAA proceeding, are estimated to be \$450,000 and \$550,000 respectively over the Cash Flow Period. The forecast cash flow deficit for the Cash Flow Period after litigation and restructuring costs is estimated to be \$772,117, resulting in an estimated ending cash balance of \$1.8 million on January 1, 2021.
31. Accordingly, the Applicant has sufficient liquidity during the proposed Stay Period.

32. The Proposed Monitor has reviewed the 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.
33. In accordance with the standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to the Information. Since the Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the Assumptions and the preparation and presentation of the Cash Flow Forecast.
34. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material aspects, that:
 - i. the Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - ii. 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 Cash Flow Forecast, given the Assumptions; or
 - iii. the Cash Flow Forecast does not reflect the Assumptions.

35. Since the 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 Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Cash Flow Forecast, or relied upon by the Proposed Monitor in preparing this Report.
36. The 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.

THE PROPOSED INITIAL ORDER

Customer Arrangements

37. The Proposed Initial Order provides for a mechanism whereby the Applicant separates from its holdings amounts held on behalf of customers. As discussed in the Salama Affidavit, EGR holds cash, gold and forward contracts for customers for the purposes of refining, trade, investment or speculation. On the basis that amounts are held on behalf of customers, establishing the proposed mechanism will provide transparency on business transactions to both the customers and the proposed Monitor. Therefore, the Proposed Monitor believes it is appropriate for this relief to be granted.

Ability to make pre-filing payments

38. The Proposed Initial Order permits the Applicant to make pre-filing payments in the ordinary course. The proposed CCAA proceeding is not intended to be an operational restructuring and the Applicant does not seek CCAA protection in response to any liquidity constraints arising from any inability to service its pre-filing debt. The purpose of the CCAA proceeding is to primarily address the Notices of Reassessment by accelerating the Applicant's appeal to the Tax Court. The Cash Flow Forecast indicates that the Applicant has sufficient liquidity during the proposed Stay Period, therefore, the Proposed Monitor believes it is appropriate for this relief to be granted.

GST/HST Refunds

39. As discussed in the Salama Affidavit, the CRA is currently withholding approximately \$37 million of GST/HST refunds from EGR. The Applicant advised that the refunds are required to pay its suppliers and operate its business. The Proposed Monitor has not investigated the merits of the refunds; however, the Proposed Monitor will monitor and report on purchases and sale of gold and other precious metals to ensure transactions are supportable and transacted with suppliers and customers who are GST/HST registrants. The Proposed Monitor believes it is necessary for the Applicant and the CRA to make all reasonable efforts to reach a mutually satisfactory agreement setting out a protocol through which the Applicant can transact with certain suppliers and be able to claim and collect GST/HST refunds from the CRA.

Proposed Charges

40. The Proposed Initial Order provides for the priority of the Administration Charge and the Directors' Charge as follows:
- i. First – Administration Charge against the Applicant's Property to a maximum amount of \$300,000 as security for the professional fees and disbursements incurred by counsel to the Applicant, the Monitor and the Monitor's counsel; and
 - ii. Second – Directors' Charge against the Applicant's Property to a maximum amount of \$100,000 as security for the indemnity granted in favour of the Applicant's directors and officers pursuant to the Proposed Initial Order against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of these CCAA Proceedings.

Administration Charge

41. The Applicant seeks approval of the Administration Charge.
42. The beneficiaries of the Administration Charge are contemplated to be the Applicant's counsel and the Monitor and its counsel (the "**Professionals**").
43. The Proposed Monitor is of the view that the Administration Charge is necessary for the effective participation of the Professionals in the CCAA Proceeding, and the quantum of the Administration Charge sought in the Proposed Initial Order is reasonable.

Directors' Charge

44. The Applicant seeks approval of the Directors' Charge to a maximum of \$100,000.
45. The Proposed Monitor understands that it is very likely that the Applicant's directors and officers would resign should the Directors' Charge not be granted, which would be prejudicial to the Applicant's ability to restructure its affairs.
46. Based on the foregoing, the Proposed Monitor supports the Directors' Charge.

CONCLUSION

47. Based on the circumstances and analysis set out above, the Proposed Monitor is supportive of the Applicant's request for relief pursuant to the CCAA and the terms of the Proposed Initial Order.

All of which is respectfully submitted this 14th day of October, 2020.

**Deloitte Restructuring Inc.
in its capacity as Proposed Monitor
of Express Gold Refining Ltd.**



Phil Reynolds, LIT
Senior Vice-President



Warren Leung, LIT
Vice-President

APPENDIX “A”

Express Gold Refining Ltd.

12-week cash flow forecast for the period October 12, 2020 to January 1, 2021

Amounts in CAD, unaudited

	Week	1	2	3	4	5	6	7	8	9	10	11	12	
Notes	Week Ending	16-Oct	23-Oct	30-Oct	6-Nov	13-Nov	20-Nov	27-Nov	4-Dec	11-Dec	18-Dec	25-Dec	1-Jan	TOTAL
	Receipts													
1	Sales	1,991,741	1,991,741	1,991,741	2,489,676	2,489,676	2,489,676	2,489,676	2,489,676	2,489,676	2,489,676	2,489,676	2,489,676	28,382,312
2	HST refunds	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Interest income	-	-	-	2,000	-	-	-	2,000	-	-	-	2,000	6,000
	Total Receipts	1,991,741	1,991,741	1,991,741	2,491,676	2,489,676	2,489,676	2,489,676	2,491,676	2,489,676	2,489,676	2,489,676	2,491,676	28,388,312
	Disbursements													
4	Purchases	1,874,552	1,874,552	1,888,224	2,343,191	2,343,191	2,343,191	2,343,191	2,343,191	2,343,191	2,343,191	2,343,191	2,343,191	26,726,044
5	HST	51,087	52,011	101,787	51,358	64,033	51,358	92,257	51,358	64,033	51,358	62,733	76,982	770,356
6	Salaries and wages	32,477	-	17,926	-	32,477	-	17,926	-	32,477	-	17,926	-	151,212
7	Consulting and professional fees	-	-	40,000	-	-	-	70,000	-	-	-	-	40,000	150,000
8	General Administrative Expenses	5,268	12,378	5,268	6,585	6,585	6,585	13,695	6,585	6,585	6,585	6,585	13,695	96,402
9	Insurance	5,000	75,000	-	7,500	-	5,000	-	7,500	-	5,000	-	7,500	112,500
10	Rent	-	-	-	14,480	-	-	-	14,480	-	-	-	14,480	43,440
11	Advertising and promotion	3,837	3,837	3,837	4,796	4,796	4,796	4,796	4,796	4,796	4,796	4,796	4,796	54,676
12	Vehicle	-	-	-	1,427	1,473	-	-	1,427	1,473	-	-	-	5,799
13	Freight	-	-	-	-	10,000	-	-	-	10,000	-	-	-	20,000
14	Income Tax	-	-	10,000	-	-	-	10,000	-	-	-	-	10,000	30,000
	Total Disbursements	1,972,222	2,017,778	2,067,042	2,429,337	2,462,556	2,410,930	2,551,866	2,429,337	2,462,556	2,410,930	2,435,232	2,510,644	28,160,429
	Litigation and Restructuring Costs													
	Litigation and Restructuring Costs	19,520	(26,037)	(75,301)	62,340	27,121	78,746	(62,189)	62,340	27,121	78,746	54,445	(18,968)	227,883
15	Litigation Costs	-	-	150,000	-	-	-	150,000	-	-	-	-	150,000	450,000
16	Restructuring Costs	-	-	200,000	-	87,500	-	87,500	-	87,500	-	87,500	-	550,000
	Total Litigation and Restructuring Costs	-	-	350,000	-	87,500	-	237,500	-	87,500	-	87,500	150,000	1,000,000
	Net Cash Flow	19,520	(26,037)	(425,301)	62,340	(60,379)	78,746	(299,689)	62,340	(60,379)	78,746	(33,055)	(168,968)	(772,117)
17	Opening Cash	2,566,637	2,586,157	2,560,119	2,134,818	2,197,158	2,136,779	2,215,525	1,915,836	1,978,176	1,917,797	1,996,543	1,963,488	2,566,637
	Ending Cash	2,586,157	2,560,119	2,134,818	2,197,158	2,136,779	2,215,525	1,915,836	1,978,176	1,917,797	1,996,543	1,963,488	1,794,520	1,794,520

Notes

General Receipts and disbursements denominated in U.S. Dollars have been converted into Canadian Dollars using an exchange rate of CDN\$1.33 = USD\$1.00.

- 1 Receipts from sales are estimated based on historical average monthly sales, collected weekly.
- 2 The projected tax refunds are estimated based on input tax credits claimed on GST and HST paid to vendors.
- 3 Receipts from interest income earned on deposits.
- 4 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.
- 5 These projected disbursements represent payments to vendors with respect to GST and HST for purchases of goods and services.
- 6 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.
- 7 These projected disbursements include payments to EGR's advisors for corporate matters.
- 8 These projected disbursements include payments related to office supplies, repair and maintenance, telephone and networking, bank charges, travel, software and utilities.
- 9 These projected disbursements include premium payments for general, property and liability insurance, employee benefits and life insurance.
- 10 These projected disbursements include rent payments to Farag Properties Inc., a related party.
- 11 These projected disbursements relate to the various advertising and promotional initiatives.
- 12 These projected disbursements represent vehicle lease and other vehicle-related expenses.
- 13 These projected disbursements represent freight expenses to transport inventory for refining or for delivery to customers.
- 14 These projected disbursements represent corporate income tax instalments.
- 15 These projected disbursements include payments to legal advisors for litigation matters.
- 16 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.
- 17 The opening cash balance reflects the estimated cash balance at the start of the cash flow forecast.



Express Gold Refining Ltd.

Precious Metals Dealer • Refining • Assaying

October 13, 2020

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 application by Express Gold Refining Ltd. ("**EGR**") for the commencement of proceedings under the CCAA in respect of 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 proposed 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

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Express Gold Refining Ltd.

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the on-going activities of EGR, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination;

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