

**Deloitte.**



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COURT

SUPREME COURT OF BRITISH COLUMBIA

JUDICIAL CENTRE

VANCOUVER

IN THE MATTER OF THE COMPANIES CREDITOR  
ARRANGEMENT ACT, R.S.C. 185, c. C-36, AS AMENDED

AND IN THE MATTER OF OTSO GOLD CORP., OTSO  
GOLD OY, OTSO GOLD AB, and 2273265 ALBERTA LTD.  
(COLLECTIVELY THE "PETITIONERS" or "OTSO")

DOCUMENT

**THE SECOND REPORT OF DELOITTE RESTRUCTURING  
INC. AS CCAA MONITOR OF OTSO**

**DATED JANUARY 12, 2022**

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## Introduction and background

1. On December 3, 2021 Deloitte Restructuring Inc. ("**Deloitte**" or the "**Monitor**") was appointed as monitor pursuant to an order (the "**Initial Order**") of the Supreme Court of British Columbia (the "**Court**") in respect of the petition filed by Otso Gold Corp. ("**OGC**" or the "**Company**"), Otso Gold OY ("**OGOY**"), Otso Gold AB ("**OGAB**"), and 2273265 Alberta Ltd. ("**227**", collectively the "**Petitioners**" or "**Otso**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the "**CCAA**") granting, *inter alia*, a stay of proceedings (the "**Stay**") until December 13, 2021. The proceedings brought by Otso under the CCAA will be referred to as the "**CCAA Proceedings**".
2. The Petitioners are engaged in mineral exploration and development, focused on acquiring and developing resource assets in safe harbour jurisdictions. Otso's primary business pertains to the development of the Laiva Gold Project in Northern Ostrobothnia, Finland (the "**Otso Gold Mine**"). Otso's corporate structure and historical operations are discussed in further detail in the Petition Record filed with this Honourable Court on December 3, 2021.
3. OGC is a public company listed on the TSX Venture Exchange ("**TSXV**") under the symbol "TSXV:OTSO". The Company was incorporated pursuant to the laws of Alberta and is extra-provincially registered in British Columbia. Effective December 15, 2021, the Company's stock exchange listing was transferred to the NEX Board, a separate board of the TSXV, and the stock ticker was redesignated to "OTSO.H". Trading of OGC's shares on the TSXV was halted on December 3, 2021.
4. On December 13, 2021, Deloitte filed its First Report of the Monitor (the "**First Report**") which, amongst other things, described the Petitioners activities to date, the Monitor's activities to date, the current financial position of Otso, the Monitor's assessment of the Cash Flow Forecast for the 13-week period ending March 4, 2022 (the "**Previous Cash Flow Forecast**"), and an overview of Otso's restructuring proceedings in Finland and Sweden.
5. On December 13, 2021, this Honourable Court granted an order (the "**December 13 Order**") extending the Stay to December 15, 2021. Following a hearing on December 15, 2021, this Honourable Court granted an order (the "**Amended and Restated Initial Order**") to, amongst other things, extend the Stay to January 14, 2022 and increase the Administrative Charge as defined in the Initial Order from \$100,000 to \$300,000.
6. On December 17, 2021 and January 5, 2022, Brunswick Gold Ltd. ("**Brunswick**"), the majority shareholder of Otso, filed statements of claim against Pandion Mine Finance LP and PFL Rahhe Holdings Ltd. (collectively "**Pandion**"), amongst other parties, in the state of Connecticut and in the Province of British Columbia, respectively. Although the Petitioners are not named defendants, the statements of claim are with respect to the Petitioners secured debt and the equity which Brunswick invested in OGC.
7. The Monitor has made the Initial Order, the First Report and all other Court filings related to the CCAA Proceedings available on its website at <http://www.insolvencies.deloitte.ca/en-ca/otsogoldcorp> (the "**Monitor's Website**").

## Purpose

8. The purpose of this second report of the Monitor (the "**Second Report**") is to provide information to this Honourable Court, and the Monitor's comments thereon, regarding the following:
  - a) Activities of the Petitioners since the First Report with respect to the Petitioner's restructuring efforts;
  - b) Activities of the Monitor since the First Report;
  - c) Otso's actual cash flow for the five (5) week period ended January 7, 2022 as compared with the Previous Cash Flow Forecast;

- d) Otso's short term funding requirements and its efforts to source Debtor-in-Possession ("**DIP**") financing;
- e) Otso's updated cash flow forecast for the 13-week period ending April 8, 2022 (the "**Updated Cash Flow Forecast**"); and
- f) Respectfully recommend that this Honourable Court make orders:
  - i. Lifting the Stay and concluding the CCAA Proceedings in order that Pandion may seek to have their receivership application or such other application related to the CCAA Proceedings heard; and
  - ii. Providing such further or other relief that the Court considers just and warranted in the circumstances.

### Terms of reference

- 9. In preparing this Second Report, the Monitor has relied upon unaudited financial information prepared by the Petitioners' management and A&M as defined later in this Second Report (collectively "**Management**"), the Petitioners' books and records, and discussions with Management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the information. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this Second Report.
- 10. The financial projections attached to this Second Report, were prepared by Management except where noted. Although we have reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material. We have not prepared a compilation as contemplated by Section 4250 of *Chartered Professional Accountants Canada Handbook*.
- 11. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Second Report. Any use, which any party makes of this Second Report, or any reliance or decision to be made based on this Second Report, is the sole responsibility of such party.
- 12. All dollar amounts in this Second Report are in Canadian dollars, unless otherwise indicated.
- 13. Unless otherwise provided, all capitalized terms not defined in this report are as defined in the Initial Order.

### Petitioners' Activities

- 14. As previously mentioned in the First Report, prior to the CCAA Proceedings, representatives of Alvarez & Marsal ("**A&M**") were appointed as Chief Restructuring Officer of OGOY and interim Chief Executive Officer of OGC as well as interim Chief Financial Officer of OGOY. Otso temporarily suspended mining operations from December 8, 2021 to January 31, 2022 (the "**Suspension Period**") to minimize cash expenditures while developing a revised mine plan. A&M and the Petitioners have been focused on several matters since the date of the First Report including, but not limited to:
  - a) Determining that an extension of the Suspension Period to April 2022 is necessary while they address certain safety and mining conditions as described below;

- b) Clearing residuals from the run of mine stock pile area ("**ROM pad**"), which is necessary to permit efficient mining as well as the processing of the existing low-grade stockpile (approximately 128,000 tonnes) through January and February 2022. This permits the plant to be used during the winter months which results in some revenue generation versus solely the use of energy to keep the plant from freezing;
  - c) Assessing the condition, safety and mineability of the two open pits (the "**North Pit**" and "**South Pit**") at the Otso Gold Mine resulting in the following findings:
    - i. The North Pit is flooded and frozen. Once the North Pit thaws and is drained there will be work needed to stabilize the walls by building out benches to mitigate the risk of rockslides. Service roads will also need to be built to access the base of the pit; and
    - ii. Similarly, the South Pit, requires work to stabilize certain section of the walls and build out additional benches to mitigate the risk of rockslides. Additional services roads will be needed as this pit continues to be excavated.
  - d) Assessing the need for critical spare parts required to recommence full operations. Management has advised that the lack of critical spare parts has resulted in plant shutdowns while parts are sourced which in turn has negatively impacted operations;
  - e) Reviewing the condition of the equipment on site. Management advised that the equipment is worn but functional so long as there are sufficient spare parts on hand to properly service the equipment;
  - f) Communicating and meeting with various vendors and suppliers with respect to the continuation of services including OGOY's mining contractor, E. Hartikainen OY, who is viewed as a critical party for the ongoing operation of the Otso Gold Mine;
  - g) Engaging mining contractors to assist with mining plans and setting a timeline to re-start mining operations efficiently and safely;
  - h) Developing a long term mine plan (the "**LT Mine Plan**") with the assistance of various senior mining executives, engineers, and geologists which addresses, but is not limited to, contouring of the North Pit and South Pit, construction of services roads, and safety and environmental requirements. The LT Mine Plan contemplates processing 11 million tonnes of ore from approximately 85 million tonnes of rock with an estimated dilution of 10.0%; however, Management has indicated that it aims to improve the dilution to 6.8%;
  - i) The LT Mine Plan is the catalysis for the development of a revised financial pro-forma and a business plan. Management advises that by February 14, 2022, the business plan will be complete including the life of mine cash flow to set working capital requirements, capital expenditure requirements, and short term financing requirements to return the Otso Gold Mine to full operations;
  - j) Reviewing and maintaining the necessary environmental permits to continue operations;
  - k) Reviewing the cash flow and projections for the Otso Gold Mine in order to revise the 13-week cash flow as further discussed in paragraphs 30 to 34 of this Second Report; and
  - l) Continuing to review available books and records of Otso to gain visibility on Otso's finance, operations, tax and treasury functions and complete the required accounting and filings.
15. The Petitioners have also engaged in the following activities since the date of the First Report:
- a) Extended the creditor protection in Sweden and Finland as further discussed in paragraphs 35 to 39 of this Second Report;

- b) Obtained further books and records of Otso as further discussed in paragraphs 40 to 41 of this Second; and
- c) Completed a variance analysis on an accrual basis of OGOY's October and November 2021 forecast compared to actual results (the "Historical Variance Analysis"), attached hereto as **Appendix A**". The Historical Variance Analysis summarized below indicates that gold sales were approximately \$19.2 million (84%) below projection and there was an increase in accounts payable of almost \$8.1 million.

**Historical Variance Analysis Summary  
For the period October 1, 2021 to November 30, 2021**

CAD\$	Projected	Actual	Variance	(%)
Total Revenues	22,996,332	3,781,871	(19,214,462)	-84%
Total Expenses	(20,256,623)	(14,794,048)	5,462,575	27%
<b>Net cash flow</b>	<b>2,739,709</b>	<b>(11,012,177)</b>	<b>(13,751,886)</b>	-502%
Opening cash balance	2,258,601	2,258,601		
<b>Closing cash balance</b>	<b>4,998,310</b>	<b>(8,753,577)</b>		
Actual cash balance at 30-Nov-21		694,885		
<b>Net change in working capital</b>		<b>(8,058,691)</b>		

Based on the Monitor's review of the Historical Variance Analysis, we note the following:

- i) This analysis was based on the October 2021 and November 2021 budget presented to the board of directors of Otso on October 6, 2021;
- ii) Gold sales were approximately \$3.8 million resulting in an unfavourable variance of approximately \$19.2 million, or 84%. This was due mainly to production volumes being budgeted at the maximum capacity of the plant and actual commodity prices in November 2021 being lower than prices when the forecast was set (forecast of USD\$54.66/g vs. actual of USD\$48.05/g).

	Projected		Actual		Variance	
	Quantity (g)	USD\$	Quantity (g)	USD\$	Quantity (g)	USD\$
October production	105,000	5,738,908	-	-	(105,000)	(5,738,908)
November production	236,250	12,912,542	62,178	2,987,678	(174,073)	(9,924,864)
<b>Total Production</b>	<b>341,250</b>	<b>18,651,450</b>	<b>62,178</b>	<b>2,987,678</b>	<b>(279,073)</b>	<b>(15,663,772)</b>
Foreign exchange rate (average)		0.81		0.79		0.82
<b>Total CAD\$</b>		<b>22,996,332</b>		<b>3,781,871</b>		<b>(19,214,462)</b>

- iii) Actual expenses of approximately \$14.8 million reflect an estimate of what variable payments should have been based on the actual production volumes achieved and fixed costs remaining static. Management advised this approach was used as the financial statements for October and November 2021 are not yet available to confirm the actual costs incurred. Management further advised that their continuing efforts to bring the accounting books and records of Otso up-to-date is to enable audits to be completed for each entity, including reconciling the inter-company debts.
- iv) At the time of this Second report, the discrepancy between the calculated closing cash balance of approximately \$(8.8) million and the actual closing cash balance of approximately \$695,000 is assumed to be related to outstanding payables incurred to process/generate the gold sales to November 30, 2021.

## Monitor's Activities

16. The Monitor has engaged in the following activities since the date of the First Report:

- a) Conducted numerous meetings and discussions with Management and Otso's legal counsel regarding Otso's business and financial affairs including the cash flow forecasts, efforts surrounding interim financing, operational restructuring activities, and other matters relating generally to the CCAA Proceedings;
- b) Reviewed and discussed with Management Otso's ongoing cash flow and weekly variances and financial models;
- c) Discussed with Management the process to determine the value of the mining assets and the long term cash flow requirements for the Otso Gold Mine;
- d) Facilitated a discussion amongst Pandion and Management regarding Otso's mining plans, operational timelines, funding requirements to continue Otso's restructuring efforts, and other matters relating to the CCAA Proceedings;
- e) Met with a third party who expressed interest in the Otso Gold Mine and in providing DIP;
- f) Completed numerous discussions with Management and Otso's legal counsel regarding obtaining DIP, potential parties who may have an interest in providing DIP, reviewing materials in the DIP data room, etc.;
- g) Completed numerous discussions with Monitor's legal counsel regarding the claim and the quantum of the claim of Pandion;
- h) Reviewed materials, as they relate to the CCAA Proceedings, associated with OGC's majority shareholder commencing litigation in Connecticut and British Columbia;
- i) Prepared for and attended the Court hearings; and
- j) Prepared this Second Report.

## Asset valuation

17. There is uncertainty in the value of the Otso Gold Mine as a going-concern and, a draft LT Mine Plan contemplating the next two years has been completed, however the revised financial proformas and business plan have not been completed as at the date of this Second Report. Management advises that additional time to February 14, 2022 is needed to complete the business plan and determine if there is sufficient value in the mine as a going concern to sustain operations, finance Otso's debt obligations, and continue its restructuring efforts through the CCAA Proceedings.

## Pandion debt

18. As discussed in the First Report, Pandion is the principal secured creditor of Otso. Otso's interim consolidated financial statements as at July 31, 2021 indicate a loan balance owing to Pandion of approximately USD\$29.0 million.
19. As a result of the CCAA proceedings and Pandion's debt not being paid on December 7, 2021, Pandion has advised that the debt owing by Otso is approximately USD\$95.0 million pursuant to the terms of the various agreements which have been executed by the parties over time.
20. Otso's legal counsel wrote to the Monitor and Pandion on January 7, 2022 advising that the Petitioners dispute the increase in the Pandion debt and wish to put in place a process for the debt to be determined by the Court by the end of February, or in early March 2022.



21. The quantum of Pandion's secured debt claim is critical to the Petitioners restructuring, as this and the value of the assets will determine whether any other stakeholders have any realizable financial interest in Otso.
22. At the time of filing this Second Report the Monitor has not been provided with Managements updated preliminary valuation of the mine. Accordingly a preliminary assessment has not been able to be completed on whether the secured debt which Pandion has claimed exceeds the value of the Petitioners assets.

## Debtor-in-possession ("DIP") financing

23. Otso and its financial advisors had indicated they were of the view that an interim CCAA financing facility of €3.5 million (approximately \$5.0 million) was required in the CCAA Proceedings to carry the Petitioners to March 4, 2022 when another application would be required to extend the Stay if an extension was granted (the "**March 4 Application**"). Amongst other things, the following have been referenced by Management as contributing factors to the immediate need for funding:

- a) Technical and infrastructure issues at the North Pit and South Pit, along with a lack of working capital and spare parts resulted in unfavourable operating performance in October and November of 2021 which in turn resulted in working capital issues and significant liquidity pressure; and
- b) The Updated Cash Flow Forecast of Otso (discussed later in this Second Report) indicates that it cannot fund its immediate cash requirements and ongoing restructuring activities without additional financing. The Monitor is advised that Otso's immediate cash needs are for the processing of low-grade ore to clear the South Pit for reconstruction of the benches to mitigate safety risks, to complete mine and plant preparations for re-start in April 2022, and to finalize the business plan for the restart of mine production.

24. The Monitor is also advised that:

- a) Otso and its advisors solicited financing from five (5) parties resulting in two parties expressing interest. The secured lender, Pandion was granted access to a data room that was made available by Otso;
- b) Otso received a non-binding DIP proposals from Brunswick, the majority shareholder, for financing in the amount of €3.5 million at an interest rate of 15% per annum along with other terms (the "**Brunswick Term Sheet**"); and
- c) The Brunswick Term Sheet was preliminary in nature and provided for discussion purposes only and is subject to further legal and financial due diligence.

25. On January 10, 2021, Otso's legal counsel provided comments on the Brunswick Term Sheet to Brunswick, and also to Pandion since certain terms would require Pandion's support or approval.

26. On January 10, 2021, following receipt of the comments from Otso's legal counsel, Pandion's legal counsel advised Otso's legal counsel that it opposed the Brunswick Term Sheet. At the same time, Pandion provided a proposal for financing from Pandion in an amount and rate to be determined, and on the basis that Otso would commence a sale and investment solicitation process (the "**Pandion Term Sheet**"). Pandion advised that details regarding the valuation and longer term cash need were required to finalize the term sheet.

27. Based on the Monitor and its legal counsel's review:

- a) The Brunswick Term Sheet cannot be supported in its current form;
- b) The Pandion Term Sheet requires negotiations between the Petitioners and Pandion which have not progressed to the point where the terms are in a state to present to this Honourable Court; and
- c) Accordingly, the CCAA Proceedings cannot continue since Otso lacks the resources to advance the restructuring and meet its obligations.

## Actual receipts and disbursements compared to forecast

28. Otso's actual cash receipts and disbursements for the five-week period ending January 7, 2022 (the "**Reporting Period**"), as compared with the Previous Cash Flow Forecast attached hereto as **Appendix "B"**, are summarized below.

### Cash Flow Variance Analysis Summary For the Period December 3, 2021 to January 7, 2022

CAD\$			Variance	
	Projected	Actual	(\$)	(%)
Total Revenues	2,555,003	3,312,551	757,548	30%
Total Expenses	(2,740,479)	(2,268,498)	471,981	17%
<b>Net operating expenses</b>	<b>(185,476)</b>	<b>1,044,053</b>	<b>1,229,529</b>	663%
Restructuring cost	(718,378)	(895,601)	(177,223)	-25%
<b>Net cash flow</b>	<b>(903,854)</b>	<b>148,452</b>	<b>1,052,306</b>	116%
Opening cash balance	1,656,698	1,656,698		
<b>Closing cash balance</b>	<b>752,844</b>	<b>1,805,150</b>		

29. In aggregate, there was an approximate \$1.1 million net positive cash flow variance during the Reporting Period, the majority of which was the result of the conservative approach taken by Management with respect to the Previous Cash Flow Forecast to ensure Otso could meet its obligations throughout the Stay without additional financing. A summary of the more significant variances is as follows:

- a) Gold sales of approximately \$2.4 million exceeded forecast by approximately \$756,000, or 47%. This favourable permanent variance is a result of higher than expected production volumes for the Reporting Period as follows:

	Projected		Actual		Variance	
	Quantity (g)	USD\$	Quantity (g)	USD\$	Quantity (g)	USD\$
The week ended Dec 10	15,138	751,002	15,742	785,377	605	34,375
The week ended Dec 24	10,078	500,000	21,057	1,088,783	10,978	588,783
<b>Total Production</b>	<b>25,216</b>	<b>1,251,002</b>	<b>36,799</b>	<b>1,874,160</b>	<b>11,583</b>	<b>623,158</b>
Foreign exchange rate (average)		0.78		0.79		0.82
<b>Total CAD\$</b>		<b>1,603,887</b>		<b>2,360,214</b>		<b>756,327</b>

- b) An outstanding payment for the purchase of gold by MKS of approximately \$900,000, as discussed in further detail in the First Report and various of the Company's affidavits, was forecast for the week ending December 10, 2021 and was actually received during the week ended January 7, 2022.
- c) As a result of the Suspension Period, actual site indirect costs, safety, and general and administrative costs totalled approximately \$441,000 which resulted in a net permanent positive variance of approximately \$460,000, or 51% lower than forecast.

For the Period 03-Dec-21 to 07-Jan-22	Projected	Actual	Variance	%
Site indirect costs	(104,252)	(36,449)	67,803	65%
Safety	(237,193)	(106,700)	130,493	55%
G&A costs	(559,939)	(297,775)	262,164	47%
<b>Total</b>	<b>(901,384)</b>	<b>(440,924)</b>	<b>460,460</b>	<b>51%</b>

- d) The Previous Cash Flow Forecast contemplated contract work with respect to tailings which were included in the environmental costs which have been reclassified to repairs and maintenance capital expenditures. The net effect of this reclassification results in an unfavourable permanent variance of \$23,000, or 7%, as the tailings work was slightly higher than expected.
- e) Pursuant to the Consent Order dated December 21, 2021, a deposit in the amount of USD\$ 49,983.75 (USD\$50,000 less a bank service charge of USD\$16.25) was paid to the Monitor's legal counsel in trust for Westech International Pty Ltd. as security for services rendered to Otso from December 3, 2021.
- f) Restructuring costs of approximately \$896,000 exceeded forecast by approximately \$177,000, or 25%. This unfavourable permanent variance is a result of additional professional fees being incurred due to the complexities of the restructuring.

## Updated Cash Flow Forecast

30. Otso's Updated Cash Flow Forecast for the 13-week period ending April 8, 2022, attached hereto as **Appendix "C"**, is summarized below. The notes to the Updated Cash Flow Forecast, outlining the probable and hypothetical assumptions, should be read in conjunction with the Updated Cash Flow Forecast. The Updated Cash Flow Forecast reflects certain updated assumptions of Management based on developments to date during the course of the CCAA Proceedings.

<b>Updated Cash Flow Summary</b>			
<b>For the Period January 8, 2022 to April 8, 2022</b>			
<b>CAD\$</b>	<b>08-Jan-22 to 04-Mar-22</b>	<b>05-Mar-22 to 08-Apr-22</b>	<b>Total</b>
Total Revenues	1,973,461	-	1,973,461
Total Expenses	(5,152,607)	(6,085,595)	(11,238,202)
<b>Net operating expenses</b>	<b>(3,179,146)</b>	<b>(6,085,595)</b>	<b>(9,264,741)</b>
Restructuring cost	(2,011,288)	(988,873)	(3,000,161)
Contingency	(869,231)	(543,269)	(1,412,500)
DIP Financing	5,000,000	-	5,000,000
<b>Net cash flow</b>	<b>(1,059,664)</b>	<b>(7,617,737)</b>	<b>(8,677,402)</b>
Opening cash balance	1,805,150	745,485	
<b>Closing cash balance</b>	<b>745,485</b>	<b>(6,872,252)</b>	

31. Based on the Monitor's review of the Updated Cash Flow Forecast, we note the following:

- a) This analysis assumes the Suspension Period with respect to the mining (drilling) operations is extended to a date to be determined in April 2022, as previously discussed in this Second Report.
- b) As clean-up efforts at the mine site continue during the Suspension Period, an additional gold deposit was found at the end of processing during the normal purging of lines which is expected to generate additional cash receipts totalling approximately \$404,000 in the weeks ending January 14, 2022 and January 21, 2022.
- c) Processing of the existing low-grade stockpile (approximately 128,000 tonnes) will continue through January and February 2022, after which processing will cease until the second quarter of Otso's fiscal 2022 year ("**Q2 2022**") when mining is projected to restart. Otso's fiscal year end is January 31<sup>st</sup>. There is a potential to process already blasted ore remaining in the South Pit, but valuation of the grade, volumes and technical feasibility is yet to be conducted, and thus no revenue from this has been included in the Updated Cash Flow Forecast.

- d) The ongoing sale and processing of gold is insufficient to fund the operations of OGOY and DIP financing is required to cover the expenses of OGOY to March 4, 2022.
  - e) Management has adjusted all variable mining and processing costs on a pro-rata basis to reflect suspended operations. All fixed costs, including salaries and wages are expected to be paid in the normal course and no adjustments have been made for the Suspension Period primarily to mitigate the risk of having a shortfall in the workforce when the mine re-starts. Currently, Otso employs approximately 140 individuals, of which 102 would typically focus on mining operations that have been suspended. Management advises that these employees will be utilized to complete clean-up activities, equipment repairs and maintenance and other necessary preparation work to restart the mine by April 2022. Management further advises that it is contemplating reducing the work force by approximately 75% to retain only critical staff for the Suspension Period for potential cost savings of \$712,000 per month subject to negotiations with the Finnish government and union representatives.
  - f) Mining costs are comprised of only fixed labour costs during the Suspension Period. As mining operations are projected to recommence in Q2 2022, direct mining costs such as equipment rental, utilities, and repairs and maintenance will be added to future cash flow projections as Management determines necessary. Mining cost for the weeks ending January 14 and January 28 include a contingency totalling approximately \$217,000 which the Monitor does not expect to be required given the Suspension Period.
  - g) All working capital, repairs and replacement capital expenditures and sustaining capital expenditures (collectively "**Capex**") have been deferred until Q2 2022 as a result of the Suspension Period. As mining operations are projected to recommence in Q2 2022, the necessary Capex will be added to the cash flow.
  - h) Based on Managements Updated Cash Flow Forecast DIP financing in the amount of \$5.0 million is required for Otso to maintain its operations for the period from January 8, 2022 to March 4, 2022.
  - i) The Updated Cash Flow Forecast extends beyond the March 4 Application and hence the shortfall in the cash position. Management is aware that they will be unable to continue beyond the March 4 Application unless long term financing is obtained to bring the Otso Gold Mine into production to fund operations and payment to Pandion.
32. The Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the Management and employees of Otso. Since hypothetical 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 cash flow statement. The Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the cash flow statement.
33. Based on the Monitor's review of the Updated Cash Flow Forecast for the Comeback Period, nothing has come to our attention that causes us to believe that, in all material respects:
- a) the hypothetical assumptions are not consistent with the purpose of the cash flow statement;
  - b) as at the date of this Second Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the cash flow statement, given the hypothetical assumptions; or
  - c) the cash flow statement does not reflect the probable and hypothetical assumptions.

34. Since the Updated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Updated Cash Flow Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Second Report or relied upon by the Monitor in preparing this Second Report.

## Foreign Proceedings

### Finland Proceedings

35. On December 7, 2021, in the District Court of Oulu in the proceeding no.2296579-4 (the "**Finnish Proceeding**"), OGOY obtained an order staying all proceedings against it until December 31, 2021 (the "**Finland Stay Period**"). Within the Finland Stay Period, OGOY is required to produce a statement by a certified auditor on certain material aspects of its restructuring application, subject to an application to extend the Finland Stay Period.
36. On December 30, 2021 OGOY applied for and the Finland Stay Period was extended to February 15, 2022.
37. The Monitor has been provided documentation from OGOY's Finnish legal counsel which indicates that BDO OY LLC, a member firm of BDO International Limited ("**BDO**") has been engaged to prepare the requisite audit statement required in the Finnish Proceedings. BDO is required to submit the audit statement on or before February 15, 2022.

### Sweden Proceedings

38. On December 7, 2021, in the District Court of Sodertorn in case no. A-20470-21 (the "**Swedish Proceeding**"), OGAB obtained an order staying all proceedings against it until March 7, 2022 subject to further extension.
39. On December 22, 2021, OGAB held its creditor's meeting as required by the Swedish proceedings. Management advised that no creditors attended the meeting; however, the Swedish tax authorities confirmed they had no claim against OGAB.

## Books and Records

40. The Petitioners have advised the Monitor that, with the assistance of Lionsbridge Pty Ltd. ("**Lionsbridge**") and its legal counsel, they have been provided access to certain of the books and records of Otso on servers, data rooms, etc. that were previously managed and restricted by Lionsbridge.
41. The Monitor understands that the required information was provided in three stages; stages one and two were with respect to document servers and websites and all but one website has been completed as at the date of this Second Report. Stage three is with respect to certain email accounts, which we understand are being reviewed and negotiated by the respective parties on best practices to complete the transfer of information.

## Request for extension of these proceedings

42. The stay period provided by the Amended Order expires on January 14, 2022.

43. The Monitor acknowledges that actions taken by Brunswick have caused concerns to be raised with respect to the Brunswick related party directors. A press release dated January 7, 2022, attached hereto as **Appendix "D"**, indicates "Brunswick Gold takes legal account against Pandion and Lionsbridge following investigation at Otso Gold". The Monitor has requested that the Otso board of directors confirm that information obtained in their capacity as directors of Otso has not been used to inform and advance litigation by and on behalf of Brunswick, but the requested confirmation remains outstanding at the time of this Second Report. The Monitor has not had any direct dealings with the directors and have only had engagement with Management.
44. The Monitor had been advised that the Petitioners and their counsel had been working to prepare their materials for the January 14, 2022 application, however those materials were not filed because the Petitioners had not received a viable DIP financing proposal and did not have the basis to support their application without funding. The Monitor notes that the Petitioners had not received any DIP financing proposals until January 8, 2022 as Management was, and still is, working to prepare its documentation supporting its preliminary valuation of the mine. The Monitor prepared this Second Report prior to the delivery of the Petitioner's application materials.
45. The Monitor is of the view that Management have been working diligently to preserve the existing assets and infrastructure at the Otso Gold Mine, manage the financial and operational aspects of Otso, and develop a restructuring plan during the CCAA Proceedings.
46. The Monitor is of the view that Management has acted in good faith and with due diligence; however, has been unable to secure the DIP financing it requires immediately to continue with the CCAA Proceedings.
47. Accordingly, the Monitor respectfully recommends that the Court lift the Stay and conclude the CCAA Proceedings in order that Pandion may seek to have their receivership application or such other application related to the CCAA Proceeding heard.

## Conclusions and Recommendations


48. Based on the foregoing, particularly the absence of funding, the Monitor respectfully recommends that this Honourable Court conclude the CCAA Proceedings. However, should discussions continue between Pandion and the Petitioners which result in Pandion agreeing to a brief extension so that a DIP application may be brought forward, then the Monitor respectfully recommends that this Honourable Court consider such further relief as it deems appropriate.

All of which is respectfully submitted at Vancouver, British Columbia this 12<sup>th</sup> day of January 2022.

**DELOITTE RESTRUCTURING INC.,**

In its capacity as Court-appointed  
Companies' Creditors Arrangement Act Monitor of  
Otso Gold Corp, Otso Gold OY, Otso Gold AB and  
2273265 Alberta Ltd  
and not in its personal capacity.

Per:



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Melinda McKie, CPA, CMA, CIRP, LIT  
Senior Vice-President

# APPENDIX "A"

In the Matter of the Companies Creditor Arrangement Act ("CCAA") proceedings of  
Otso Gold Corp, Otso Gold OY, Otso Gold AB and 2273265 Alberta Ltd. (collectively "Otso")  
Monthly Variance Analysis  
For the period October 1, 2021 to November 30, 2021  
(Unaudited, CAD\$)

Month Ended	Notes	31-Oct-21	31-Oct-21	31-Oct-21	%	30-Nov-21	30-Nov-21	30-Nov-21	%	Total			
		Projected	Actual	Variance		Projected	Actual	Variance		Projected	Actual	Variance (\$)	(%)
<b>Revenue</b>													
gold		7,075,795	-	(7,075,795)	-100%	15,920,538	3,781,871	(12,138,667)	-76%	22,996,332	3,781,871	(19,214,462)	-84%
<b>Total Revenue</b>	<b>2</b>	<b>7,075,795</b>	<b>-</b>	<b>(7,075,795)</b>	<b>-100%</b>	<b>15,920,538</b>	<b>3,781,871</b>	<b>(12,138,667)</b>	<b>-76%</b>	<b>22,996,332</b>	<b>3,781,871</b>	<b>(19,214,462)</b>	<b>-84%</b>
<b>Payments</b>													
Mining costs		(4,417,976)	(2,610,345)	1,807,631	41%	(5,523,963)	(2,128,695)	3,395,268	61%	(9,941,939)	(4,739,040)	5,202,899	52%
Processing costs		(2,289,314)	(1,646,372)	642,942	28%	(2,637,789)	(1,711,135)	926,654	35%	(4,927,103)	(3,357,507)	1,569,596	32%
Infrastructure costs		(1,040,652)	-	1,040,652	100%	(1,211,638)	-	1,211,638	100%	(2,252,290)	-	2,252,290	100%
Technical services		-	(640,939)	(640,939)	-100%	-	(650,096)	(650,096)	-100%	-	(1,291,034)	(1,291,034)	-100%
Safety		(330,030)	(192,382)	137,649	42%	(402,466)	(150,096)	252,370	63%	(732,497)	(342,478)	390,019	53%
Environmental		-	(302,171)	(302,171)	-100%	-	(223,783)	(223,783)	-100%	-	(525,954)	(525,954)	-100%
G&A costs		(1,225,301)	(441,096)	784,205	64%	(1,177,493)	(381,677)	795,816	68%	(2,402,794)	(822,774)	1,580,021	66%
Sustaining capex		-	(1,811,165)	(1,811,165)	-100%	-	(1,904,095)	(1,904,095)	-100%	-	(3,715,261)	(3,715,261)	-100%
<b>Total Payments</b>	<b>3</b>	<b>(9,303,273)</b>	<b>(7,644,470)</b>	<b>1,658,803</b>	<b>18%</b>	<b>(10,953,350)</b>	<b>(7,149,578)</b>	<b>3,803,772</b>	<b>35%</b>	<b>(20,256,623)</b>	<b>(14,794,048)</b>	<b>5,462,575</b>	<b>27%</b>
<b>Net Cash Flow</b>		<b>(2,227,478)</b>	<b>(7,644,470)</b>	<b>(5,416,992)</b>	<b>-243%</b>	<b>4,967,187</b>	<b>(3,367,707)</b>	<b>(8,334,895)</b>	<b>-168%</b>	<b>2,739,709</b>	<b>(11,012,177)</b>	<b>(13,751,886)</b>	<b>-502%</b>
Opening Cash balance (deficit)		2,258,601	2,258,601			2,346,819	(5,385,869)			2,258,601	2,258,601		
Net Cash Flow		(2,227,478)	(7,644,470)			4,967,187	(3,367,707)			2,739,709	(11,012,177)		
Closing Cash balance (deficit)		31,122	(5,385,869)			7,314,007	(8,753,577)			4,998,310	(8,753,577)		
Actual cash balance			2,346,819				694,885				694,885		
Net change in working capital	4		(3,039,050)				(8,058,691)				(8,058,691)		

Notes and assumptions:

- This analysis was prepared by Management using the accrual method based on the October 2021 and November 2021 budget presented to the board of directors of Otso on October 6, 2021.
- Gold sales were approximately \$3.8 million resulting in an unfavourable variance of approximately \$19.2 million (84%) due mainly to production volumes being budgeted at the maximum capacity of the plant and actual commodity prices in November 2021 being lower than prices when the forecast was set (forecast of USD\$54.66/g vs. actual of USD\$48.05/g).

	Projected		Actual		Variance	
	Quantity (g)	USD\$	Quantity (g)	USD\$	Quantity (g)	USD\$
October production	105,000	5,738,908	-	-	(105,000)	(5,738,908)
November production	236,250	12,912,542	62,178	2,987,678	(174,073)	(9,924,864)
<b>Total Production</b>	<b>341,250</b>	<b>18,651,450</b>	<b>62,178</b>	<b>2,987,678</b>	<b>(279,073)</b>	<b>(15,663,772)</b>
Foreign exchange rate (average)		0.81		0.79		0.82
<b>Total CAD\$</b>		<b>22,996,332</b>		<b>3,781,871</b>		<b>(19,214,462)</b>

- Actual expenses reflect an estimate of what variable payments should have been based on the actual production volumes achieved and fixed costs remaining static. This approach was used as the financial statements for October and November 2021 are not yet available to confirm the actual costs incurred.
- The discrepancy between the calculated closing cash balance and the actual closing cash balance is assumed to be related to outstanding payables incurred to process/generate the gold sales.



# APPENDIX "B"

In the Matter of the Companies Creditor Arrangement Act ("CCAA") proceedings of  
 Otso Gold Corp, Otso Gold OY, Otso Gold AB and 2273265 Alberta Ltd. (collectively "Otso")  
 For the period December 3, 2021 to January 7, 2022  
 (Unaudited, CAD\$)

Week Ended	Notes	10-Dec-21	10-Dec-21	10-Dec-21	17-Dec-21	17-Dec-21	17-Dec-21	24-Dec-21	24-Dec-21	24-Dec-21	31-Dec-21	31-Dec-21	31-Dec-21	7-Jan-22	7-Jan-22	7-Jan-22	Total				
		Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	Projected	Actual	Variance	%	
<b>Revenue</b>																					
gold	2	962,861	964,782	1,920	-	-	-	641,026	1,395,876	754,850	-	-	-	-	(443)	(443)		1,603,887	2,360,214	756,327	47%
MKS debt recovered	3	-	952,337	952,337	-	-	-	-	-	-	-	-	-	951,117	-	(951,117)		951,117	952,337	1,220	0%
<b>Total Revenue</b>		<b>962,861</b>	<b>1,917,118</b>	<b>954,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>641,026</b>	<b>1,395,876</b>	<b>754,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>951,117</b>	<b>(443)</b>	<b>(951,559)</b>		<b>2,555,003</b>	<b>3,312,551</b>	<b>757,548</b>	<b>30%</b>
<b>Payments</b>																					
Mining costs		(741,738)	-	741,738	(118,952)	(60,643)	58,308	-	(124,380)	(124,380)	(118,952)	(198,565)	(79,614)	-	(583,760)	(583,760)		(979,642)	(967,349)	12,293	1%
Processing costs		(170,762)	(18,093)	152,669	(177,271)	(146,079)	31,191	-	(61,254)	(61,254)	(177,271)	(92,077)	85,194	-	(124,034)	(124,034)		(525,304)	(441,538)	83,766	16%
Site indirect costs	4	(23,132)	-	23,132	(23,132)	(9,293)	13,839	(23,132)	(6,359)	16,773	(23,132)	(9,315)	13,817	(11,723)	(11,482)	241		(104,252)	(36,449)	67,803	65%
Safety	4	(45,012)	-	45,012	(45,012)	(42,676)	2,336	(45,012)	(7,133)	37,879	(45,012)	(28,197)	16,815	(57,145)	(28,693)	28,452		(237,193)	(106,700)	130,493	55%
Environmental	5	(67,034)	-	67,034	(67,034)	(9,162)	57,872	(67,034)	(6,032)	61,002	(67,034)	(16,561)	50,473	(63,609)	(42,406)	21,203		(331,744)	(74,161)	257,583	78%
G&A costs	4	(111,553)	(17,964)	93,589	(111,553)	(36,839)	74,714	(111,553)	(11,061)	100,492	(111,553)	(54,929)	56,624	(113,726)	(176,982)	(63,255)		(559,939)	(297,775)	262,164	47%
Land tenure costs		-	-	-	-	-	-	-	(2,406)	-	-	-	2,406	-	-	-		(2,406)	-	2,406	100%
Westech escrow payment	6	-	-	-	-	-	-	-	-	-	-	-	-	(64,689)	(64,689)	-		-	(64,689)	(64,689)	-100%
Repair and replacement capex	5	-	-	-	-	-	-	-	-	-	-	(279,839)	(279,839)	-	-	-		-	(279,839)	(279,839)	-100%
<b>Total Payments</b>		<b>(1,159,231)</b>	<b>(36,057)</b>	<b>1,123,174</b>	<b>(542,954)</b>	<b>(304,694)</b>	<b>238,260</b>	<b>(246,731)</b>	<b>(216,218)</b>	<b>30,512</b>	<b>(545,359)</b>	<b>(679,483)</b>	<b>(134,123)</b>	<b>(246,204)</b>	<b>(1,032,046)</b>	<b>(785,842)</b>		<b>(2,740,479)</b>	<b>(2,268,498)</b>	<b>471,981</b>	<b>17%</b>
<b>Net Cash Flow From Operations</b>		<b>(196,370)</b>	<b>1,881,061</b>	<b>2,077,431</b>	<b>(542,954)</b>	<b>(304,694)</b>	<b>238,260</b>	<b>394,295</b>	<b>1,179,657</b>	<b>785,362</b>	<b>(545,359)</b>	<b>(679,483)</b>	<b>(134,123)</b>	<b>704,913</b>	<b>(1,032,489)</b>	<b>(1,737,402)</b>		<b>(185,476)</b>	<b>1,044,053</b>	<b>1,229,529</b>	<b>663%</b>
<b>Total restructuring costs</b>	7	<b>(80,353)</b>	<b>-</b>	<b>80,353</b>	<b>(220,301)</b>	<b>(370,082)</b>	<b>(149,781)</b>	<b>(155,455)</b>	<b>(271,510)</b>	<b>(116,055)</b>	<b>(81,192)</b>	<b>(9,588)</b>	<b>71,604</b>	<b>(181,077)</b>	<b>(244,421)</b>	<b>(63,344)</b>		<b>(718,378)</b>	<b>(895,601)</b>	<b>(177,223)</b>	<b>-25%</b>
<b>Net Cash Flow</b>		<b>(276,723)</b>	<b>1,881,061</b>	<b>2,157,784</b>	<b>(763,255)</b>	<b>(674,775)</b>	<b>88,479</b>	<b>238,840</b>	<b>908,146</b>	<b>669,307</b>	<b>(626,551)</b>	<b>(689,071)</b>	<b>(62,520)</b>	<b>523,836</b>	<b>(1,276,909)</b>	<b>(1,800,745)</b>		<b>(903,854)</b>	<b>148,452</b>	<b>1,052,306</b>	<b>116%</b>
<b>Opening Cash balance (deficit)</b>		<b>1,656,698</b>	<b>1,656,698</b>		<b>1,379,975</b>	<b>3,537,759</b>		<b>616,720</b>	<b>2,862,984</b>		<b>855,560</b>	<b>3,771,130</b>		<b>229,008</b>	<b>3,082,059</b>			<b>1,656,698</b>	<b>1,656,698</b>		
<b>Net Cash Flow</b>		<b>(276,723)</b>	<b>1,881,061</b>		<b>(763,255)</b>	<b>(674,775)</b>		<b>238,840</b>	<b>908,146</b>		<b>(626,551)</b>	<b>(689,071)</b>		<b>523,836</b>	<b>(1,276,909)</b>			<b>(903,854)</b>	<b>148,452</b>		
<b>Closing Cash balance (deficit)</b>		<b>1,379,975</b>	<b>3,537,759</b>		<b>616,720</b>	<b>2,862,984</b>		<b>855,560</b>	<b>3,771,130</b>		<b>229,008</b>	<b>3,082,059</b>		<b>752,844</b>	<b>1,805,150</b>			<b>752,844</b>	<b>1,805,150</b>		

Notes and assumptions:

1 The Otso 13-week Cash Flow (the "Otso CF") was prepared on a normalized consolidated basis using three (3) information sources: Jonh T. Boyd Company Feasibility Report (independent third party), former management's most recent financial model, and the available October 2021 financial information. Management has utilized the three (3) different information sources in order to approach the Otso CF on an overall conservative basis. The Otso CF has contingencies built in for potential unforeseen expenses.

Otso temporarily suspended mining operations from December 8, 2021 to January 31, 2022 (the "Suspension Period") to minimize cash expenditures while developing a revised mine plan.

2 Gold sales of approximately \$2.4 million exceeded forecast by approximately \$756,000, or 47%. This favourable permanent variance is a result of higher than expected production volumes.

	Projected		Actual		Variance	
	Quantity (g)	USD\$	Quantity (g)	USD\$	Quantity (g)	USD\$
The week ended Dec 10	15,138	751,002	15,742	785,377	605	34,375
The week ended Dec 24	10,078	500,000	21,057	1,088,783	10,978	588,783
<b>Total Production</b>	<b>25,216</b>	<b>1,251,002</b>	<b>36,799</b>	<b>1,874,160</b>	<b>11,583</b>	<b>623,158</b>
Foreign exchange rate (average)		0.78		0.79		0.82
<b>Total CAD\$</b>		<b>1,603,887</b>		<b>2,360,214</b>		<b>756,327</b>

3 An outstanding payment for the purchase of gold by MKS of approximately \$900,000 was forecast for the week ending January 7, 2022 and was actually received during the week ended December 10, 2021.

4 As a result of the Suspension Period actual site indirect costs, safety, and general administration costs totalled approximately \$441,000 resulting in a net permanent positive variance of approximately \$460,000 (51%).

For the Period 03-Dec-21 to 07-Jan-22	Projected	Actual	Variance	%
Site indirect costs	(104,252)	(36,449)	67,803	65%
Safety	(237,193)	(106,700)	130,493	55%
G&A costs	(559,939)	(297,775)	262,164	47%
<b>Total</b>	<b>(901,384)</b>	<b>(440,924)</b>	<b>460,460</b>	<b>51%</b>

5 The Otso CF contemplated contract work with respect to tailings which were included in the environmental costs which have been reclassified to repairs and maintenance capital expenditures. The net effect of this reclassification results in an unfavourable permanent variance of \$23,000, or 7%, as the tailings work was slightly higher than expected.

For the Period 03-Dec-21 to 07-Jan-22	Projected	Actual	Variance	%
Environmental	(331,744)	(74,161)	257,583	78%
Repair and replacement capex	-	(279,839)	(279,839)	-100%
<b>Total</b>	<b>(331,744)</b>	<b>(353,999)</b>	<b>(22,256)</b>	<b>-7%</b>

6 Pursuant to the Consent Order dated December 21, 2021, a deposit in the amount of USD\$ 49,983.75 (USD\$50,000 less a bank service charge of USD\$16.25) was paid to the Monitor's legal counsel in trust for Westech International Pty Ltd. as security for services rendered to Otso from December 3, 2021

7 Restructuring costs of approximately \$896,000 exceeded forecast by approximately \$177,000, or 25%. This unfavourable permanent variance is a result of additional professional fees being incurred due to the complexities of the restructuring.

# APPENDIX "C"

In the Matter of the Companies Creditor Arrangement Act ("CCAA") proceedings of  
Otso Gold Corp, Otso Gold OY, Otso Gold AB and 2273265 Alberta Ltd. (collectively "Otso")  
For the 13-week period ending April 8, 2022  
(Unaudited, CAD\$)

Week Ended	Notes	week 1	week 2	week 3	week 4	week 5	week 6	week 7	week 8	week 9	week 10	week 11	week 12	week 13	Total
		14-Jan-22 Projected	21-Jan-22 Projected	28-Jan-22 Projected	4-Feb-22 Projected	11-Feb-22 Projected	18-Feb-22 Projected	25-Feb-22 Projected	4-Mar-22 Projected	11-Mar-22 Projected	18-Mar-22 Projected	25-Mar-22 Projected	1-Apr-22 Projected	8-Apr-22 Projected	
<b>Revenue</b>															
gold	2	384,615	19,231	-	-	-	-	-	-	-	-	-	-	-	403,846
low-grade gold from stockpile		-	523,205	523,205	-	523,205	-	-	-	-	-	-	-	-	1,569,615
silver		-	-	-	-	-	-	-	-	-	-	-	-	-	-
MKS debt recovered		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>		<b>384,615</b>	<b>542,436</b>	<b>523,205</b>	<b>-</b>	<b>523,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,973,461</b>
<b>Payments</b>															
Mining costs	3	(386,166)	(93,589)	(244,353)	-	(118,952)	-	(118,952)	-	(118,952)	-	(118,952)	-	(118,952)	(1,318,867)
Processing costs	4	(786,461)	(5,075)	(291,000)	(671,382)	(188,038)	(115,860)	(293,131)	(112,608)	(240,584)	(63,313)	(240,584)	(112,608)	(240,584)	(3,361,227)
Infrastructure costs	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Site indirect costs	6	(33,365)	(14,962)	(33,365)	(2,648)	(21,051)	(2,648)	(21,051)	(2,648)	(21,051)	(2,648)	(21,051)	(2,648)	(21,051)	(200,187)
Technical services		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Safety		(72,252)	(51,608)	(72,252)	(51,608)	(72,252)	(51,608)	(72,252)	(51,608)	(72,252)	(51,608)	(72,252)	(51,608)	(72,252)	(815,411)
Environmental		(25,215)	(7,758)	(25,215)	(7,758)	(25,215)	(7,758)	(25,215)	(7,758)	(25,215)	(7,758)	(25,215)	(7,758)	(25,215)	(223,052)
G&A costs	7	(272,187)	(53,595)	(85,737)	(53,595)	(281,509)	(53,595)	(85,737)	(53,595)	(281,509)	(53,595)	(85,737)	(53,595)	(281,509)	(1,695,496)
Land tenure costs	8	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(544)	(7,070)
Royalties payable	9	-	-	(24,072)	-	-	-	-	-	-	-	-	-	-	(24,072)
Other operating expenses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Westech escrow payment	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in working capital	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repair and replacement capex	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustaining capex	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mine Closure	14	-	-	-	-	-	-	-	-	-	-	(3,592,821)	-	-	(3,592,821)
<b>Total Payments</b>		<b>(1,576,190)</b>	<b>(227,131)</b>	<b>(776,536)</b>	<b>(787,535)</b>	<b>(707,560)</b>	<b>(232,013)</b>	<b>(616,880)</b>	<b>(228,761)</b>	<b>(760,106)</b>	<b>(179,467)</b>	<b>(4,157,154)</b>	<b>(228,761)</b>	<b>(760,106)</b>	<b>(11,238,202)</b>
<b>Net Cash Flow From Operations</b>		<b>(1,191,574)</b>	<b>315,304</b>	<b>(253,331)</b>	<b>(787,535)</b>	<b>(184,355)</b>	<b>(232,013)</b>	<b>(616,880)</b>	<b>(228,761)</b>	<b>(760,106)</b>	<b>(179,467)</b>	<b>(4,157,154)</b>	<b>(228,761)</b>	<b>(760,106)</b>	<b>(9,264,741)</b>
<b>Total restructuring costs</b>	15	<b>(397,145)</b>	<b>(308,911)</b>	<b>(232,474)</b>	<b>(179,180)</b>	<b>(246,616)</b>	<b>(229,231)</b>	<b>(238,551)</b>	<b>(179,180)</b>	<b>(224,885)</b>	<b>(174,180)</b>	<b>(190,743)</b>	<b>(174,180)</b>	<b>(224,885)</b>	<b>(3,000,161)</b>
<b>Contingency</b>	16	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(108,654)</b>	<b>(1,412,500)</b>
<b>Total Loan Advances</b>	17	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>
<b>Net Cash Flow</b>		<b>(1,697,373)</b>	<b>(102,260)</b>	<b>2,405,541</b>	<b>(1,075,369)</b>	<b>(539,625)</b>	<b>(569,898)</b>	<b>1,035,915</b>	<b>(516,595)</b>	<b>(1,093,645)</b>	<b>(462,300)</b>	<b>(4,456,552)</b>	<b>(511,595)</b>	<b>(1,093,645)</b>	<b>(8,677,402)</b>
<b>Opening Cash balance (deficit)</b>		<b>1,805,150</b>	<b>107,776</b>	<b>5,516</b>	<b>2,411,057</b>	<b>1,335,688</b>	<b>796,063</b>	<b>226,165</b>	<b>1,262,080</b>	<b>745,485</b>	<b>(348,160)</b>	<b>(810,460)</b>	<b>(5,267,012)</b>	<b>(5,778,607)</b>	<b>1,805,150</b>
<b>Net Cash Flow</b>		<b>(1,697,373)</b>	<b>(102,260)</b>	<b>2,405,541</b>	<b>(1,075,369)</b>	<b>(539,625)</b>	<b>(569,898)</b>	<b>1,035,915</b>	<b>(516,595)</b>	<b>(1,093,645)</b>	<b>(462,300)</b>	<b>(4,456,552)</b>	<b>(511,595)</b>	<b>(1,093,645)</b>	<b>(8,677,402)</b>
<b>Closing Cash balance (deficit)</b>		<b>107,776</b>	<b>5,516</b>	<b>2,411,057</b>	<b>1,335,688</b>	<b>796,063</b>	<b>226,165</b>	<b>1,262,080</b>	<b>745,485</b>	<b>(348,160)</b>	<b>(810,460)</b>	<b>(5,267,012)</b>	<b>(5,778,607)</b>	<b>(6,872,252)</b>	<b>(6,872,252)</b>

Notes and assumptions:

1 The Otso 13-week Cash Flow (the "Otso CF") was prepared on a normalized consolidated basis using three (3) information sources: Jonh T. Boyd Company Feasibility Report (independent third party), former management's most recent financial model, and the available October 2021 financial information. Management has utilized the three (3) different information sources in order to approach the Otso CF on an overall conservative basis. The Otso CF has contingencies built in for potential unforeseen expenses.

This analysis assumes that mining operations cease for the period December 8, 2021 to the second quarter of Otso's fiscal 2022 year end ("Q2 2022") (the "Suspension Period"). Processing of the existing low-grade stock pile (approximately 128,000 tonnes) will continue through January and February 2022, after which processing will cease until April 30, 2022 when mining re-starts. There is a potential to process already blasted ore sitting in the pit, but valuation of the grade, volumes and technical feasibility is yet to be conducted, and thus no revenue from this has been included in the forecast. Management has adjusted all variable mining and processing costs on a pro-rata basis to reflect ceased operations. All fixed costs, including salaries and wages are expected to be paid in the normal course; no adjustment have been made for the Suspension Period.

2 Revenues are based on estimated net production volumes and recent commodity prices. Revenues are expected to resume in Q2 2022 as the mining operations recommence.

3 Mining costs are comprised of only fixed labour costs during the Suspension Period. As mining operations recommence in Q2 2022, direct mining costs such as equipment rental, utilities, and repairs and maintenance will be added to future cash flow projections as Management determines necessary.

4 Processing costs are comprised of consumables and reagents, utilities, scaffolding, safety equipment, rentals and labour.

5 Infrastructure costs are comprised site drainage, security services and general site utilities.

In the Matter of the Companies Creditor Arrangement Act ("CCAA") proceedings of  
Otso Gold Corp, Otso Gold OY, Otso Gold AB and 2273265 Alberta Ltd. (collectively "Otso")  
For the 13-week period ending April 8, 2022  
(Unaudited, CAD\$)

- 6 Site indirect costs are comprised of fuel and lubricants, general labor and miscellaneous supplies.
- 7 General & Administrative ("G&A") costs are primarily comprised of salaries and wages and pension premiums for thirteen (13) staff, office supplies, insurance and property tax. In Finland, employer's pension insurance, or TyEL insurance, is a statutory insurance that ensures pension cover for employees. It is the employers responsibility to take out the insurance and to report employees' earnings to the Incomes Register.
- 8 Land tenure costs are calculated as a percentage of gold sales per Ton Ore Traeted (\$/mt).
- 9 Royalties are payable to PFL Raahe Holdings LP at 2.5% of net operating revenues pursuant to a contract dated November 8, 2018.
- 10 Pursuant to the Consent Order dated December 21, 2021, a deposit in the amount of \$64,103 was paid to the Monitor's legal counsel in trust for Westech Internation Pty Ltd. as security for services rendered to Otso after December 15, 2021 in accordance with the services agreement dated July 2, 2019 as amended September 26, 2019 and December 13, 2020
- 11 Changes in working capital reflects anticipated advances for future supplies purchased for mining operations. Management does not anticipate any changes in working capital during the Suspension Period. As mining operations recommence in Q2 2022, the necessary working capital changes will be added to the Otso CF. Management anticipates that as a result of the restructuring proceedings various suppliers will require cash-on-demand ("COD") payment for future supplies.
- 12 Repair and replacement capex reflects the requirements necessary to reach full mining capacity including, but not limited to, construction costs, inventory and environmental costs. All repair and replacement capex has been deferred until Q2 2022 as a result of the Suspension Period.
- 13 Sustaining capex reflects the requirements to maintain stable production levels. All sustaining capex has been deferred until Q2 2022 as a result of the Suspension Period.
- 14 Mine closure costs reflect the anticipated reclamation obligations which Otso is obligated to pay to Centre for Economic Development, Transport and the Environment on an annual basis. Management anticipates paying the estimated obligation of approximately \$3.6 million in the week ending March 25, 2022.
- 15 Restructuring costs have been forecast based on projected costs by professional services firms related to the restructuring. Actual expenses will be dependent on a number of unknown factors, including the timing of a Plan to be put forward to the creditors and the number of Court applications which are required.
- 16 A weekly contingency of approximately \$108,000 has been forecast to allow for any unforeseen site maintenance, health and safety, training, environment and G&A costs that may arise in the day-to-day operations.
- 17 The Otso CF indicates that it cannot fund its immediate cash requirements and ongoing restructuring activities without additional financing of approximately \$5 million.
- 18 The information provided in the cash flow statement has been prepared by the Petitioners. Since the cash flow statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, Deloitte Restructuring Inc. expresses no assurance as to whether the cash flow statement will be achieved and no opinion or other form of assurance with respect to the accuracy of any financial information presented or relied upon.

# APPENDIX "D"

# BRUNSWICK GOLD TAKES LEGAL ACTION AGAINST PANDION AND LIONSBRIDGE FOLLOWING INVESTIGATION AT OTSO GOLD LTD.

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NEWS PROVIDED BY  
**Brunswick Gold Ltd.** →  
Jan 07, 2022, 08:00 ET

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HARTFORD, Conn., Jan. 7, 2022 /PRNewswire/ -- Brunswick Gold Ltd. ("**BGL**" or "**the Company**"), announces today that it has filed legal claims against Pandion Mine Finance LP, PFL Raahe Holdings LP, Rivermet Resource Capital LP, Joseph Archibald and Ryan Byrne (collectively known as "**Pandion**"), and Lionsbridge Capital Pty Ltd., Westech International Pty Ltd., Brian Wesson and Clyde Wesson (collectively known as "**Lionsbridge**") in Canada and the United States.

In legal documents, a series of instances are outlined in which BGL alleges that it was misled ahead of and during the company's initial investment in Otso Gold Corp ("**Otso**"), finalised in 2021. Had these alleged facts been known to BGL at the time, BGL would not have made an investment into Otso.

These legal actions follow the abrupt resignation of Brian Wesson and Clyde Wesson – who were formerly Board Directors at Otso and are Principals at Lionsbridge – and the arrest of Brian Wesson by law enforcement agencies in Finland under criminal suspicion of aggravated embezzlement. In the course of the Company's internal investigation, further evidence has emerged of irregular business practices and significant undisclosed financial liabilities that were incurred prior to BGL's investment in Otso.

The complaint filed in the Connecticut Superior Court (*Brunswick Gold Limited v. Pandion Mine Finance LP, et al.*, Case No. FST-CV22-6054825-S) seeks damages against Pandion Mine Finance LP, PFL Raahe Holdings LP, Rivermet Resource Capital LP, Mr. Archibald and Mr. Byrne for their alleged roles in this misconduct, and alleges claims for Fraud and Conspiracy to Defraud, Aiding and Abetting Fraud, and for violating the Connecticut Unfair Trade Practices Act.

The Civil Claim filed in the Supreme Court of British Columbia (*Brunswick Gold Limited v. Pandion Mine Finance LP, et al.*, S.C.B.C. Vancouver Registry No. 220017), seeks damages against Pandion Mine Finance LP, PFL Raahe Holdings LP, Rivermet Resource Capital LP, Joseph Archibald and Ryan Byrne (collectively known as "**Pandion**"), and Lionsbridge Capital Pty Ltd., Westech International Pty Ltd., Brian Wesson and Clyde Wesson (collectively known as "**Lionsbridge**") for their alleged roles in this misconduct, and alleges claims for fraudulent misrepresentation and conspiracy.

BGL has released the following statement concerning these matters:

"The return of the mine to commercial production for the first time in three years could only have happened with BGL's investment in Otso Gold Ltd. Our commitment to ensuring the survival of the mine remains steadfast, but the serious revelations that have come to light in recent weeks must be addressed on behalf of all of Otso's stakeholders that may have been harmed by these improper actions."

Further news releases will be provided on an ongoing basis as appropriate and required by the law, or as otherwise may be determined necessary by the Company.

### **About the Company**

Brunswick Gold Ltd. is the majority shareholder in Otso Gold Corp, a Canadian registered gold mine operator with major operations near the Town of Raahe in Finland.

SOURCE Brunswick Gold Ltd.



